Nineteen Hundred and Twenty-two

NYIPLA

The New York Intellectual Property Law Association®

THE NEW YORK INTELLECTUAL PROPERTY LAW ASSOCIATION

PRESENTS

ONE-DAY PATENT CLE SEMINAR

Thursday, November 15, 2018

The Princeton Club, 15 West 43rd Street, New York, NY

COURSE MATERIALS

Hosted by **NYIPLA Programs Committee**

Co-Chairs **Jonathan Auerbach** and **Jenny Lee**

Board Liaison **Colman Ragan**

NEW YORK INTELLECTUAL PROPERTY LAW ASSOCIATION

ONE-DAY PATENT CLE SEMINAR

EARN 7.0 NY/NJ CLE CREDITS FOR BOTH NEWLY ADMITTED & EXPERIENCED ATTORNEYS

THURSDAY, NOVEMBER 15, 2018 | PRINCETON CLUB OF NEW YORK

AGENDA

8:15 am - 9:00 am	*Registration* and *Continental Breakfast* will be served
9:00 am - 9:05 am	*Welcome Remarks* by **Peter Thurlow**, NYIPLA President, Polsinelli PC
9:05 am - 10:25 am	Panel 1: **What Patent Practitioners Need to Know About Ethically Handling Client's Confidential Information in the Digital Age (1.0 Ethic CLE)**
	Moderator: **Jessica Copeland**, *Partner*, Hodgson Russ LLP
	Michael Pollice, *Special Agent*, Federal Bureau of Investigation
	Mitch Thompson, *Special Agent*, Federal Bureau of Investigation
	Mark Schildkraut, *Associate General Counsel-Cybersecurity and IP*, Becton, Dickinson and Company
	Sarah Statz, *Vice President and Senior Counsel*, American Express Company
	Gail Zarick, *IP Counsel-Security Division*, IBM Corporation
10:25 am - 10:40 am	*Refreshment Break*
10:40 am - 12:00 pm	Panel 2: **Arbitration of Patent Disputes (0.5 Ethic CLE)**
	Moderator: **Patrick J. Murphy III**
	Hon. Garrett Brown (Ret.), *Neutral*, JAMS The Resolution Experts
	Hon. John C. Lifland (Ret.), *Neutral*, JAMS The Resolution Experts
	Thomas Creel, *Neutral*, JAMS The Resolution Experts
	Benoit Quarmby, *Partner*, MoloLamken LLP
	Lynn Russo, *Associate*, Hughes Hubbard & Reed LLP
12:00 pm - 12:45 pm	*Lunch*
12:45 pm - 1:15 pm	***Keynote Speaker* Hon. Colleen McMahon**, *Chief Judge*, U.S. District Court for Southern District of N.Y.
1:15 pm - 2:05 pm	Interactive Panel: **Implicit Bias (1.0 Diversity CLE)**
	Stephanie Grenald, *Vice President-IP*, HBI Group, Inc., a Hinduja Group Company
	Abigail Langsam, *Intellectual Property Counsel*, Arnold & Porter Kaye Scholer LLP
2:05 pm - 3:30 pm	Panel 3: **The Changing Interface between Administrative Proceedings and Patent Litigation**
	Moderator: **Charles Macedo**, *Partner*, Amster Rothstein & Ebenstein LLP
	Anthony Michael, *Director-Litigation*, Acorda Therapeutics Inc.
	Robert Rando, *Founder and Lead Counsel*, The Rando Law Firm PC
	Sean Reilly, *General Counsel*, Askeladden LLC; *Senior Vice President and General Counsel*, The Clearinghouse
3:30 pm - 3:45 pm	*Refreshment Break*
3:45 pm - 5:05 pm	Panel 4: **Navigating Patent Strategies in View of Recent Developments in Section 101**
	Moderator: **Jonathan Berschadsky**, *Partner*, Merchant & Gould PC
	Scott Forman, *Associate*, Wolf Greenfield & Sacks PC
	Friedrich Laub, *Senior Counsel*, Bristol-Myers Squibb Company
5:05 pm - 5:10 pm	*Closing Remarks*

Hon. Colleen McMahon

Chief Judge
United States District Court for the Southern District of New York

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Judge McMahon was born in 1951 in Columbus, Ohio. She received her undergraduate education at The Ohio State University (B.A., 1973) and her legal education at Harvard Law School (J.D., 1976). After a few years in private practice at Paul, Weiss, Rifkind, Wharton & Garrison, Judge McMahon served as a Speechwriter and Special Assistant to the Honorable Donald McHenry, United States Mission to the United Nations (1979-1980). She then returned to Paul, Weiss, where in 1984 she became the first woman litigator to be elected as a partner of that firm. Judge McMahon served as a Judge of the New York Court of Claims (1995) and as an Acting Justice of the Supreme Court of the New York Supreme Court (1995-1998). In 1998, she was appointed to the United States District Court for the Southern District of New York by President William J. Clinton.

Jessica Copeland
Partner, Blockchain & Cryptocurrency Practice Co-Leader
Hodgson Russ LLP

Jessica effectively represents her clients in all aspects of business disputes, with a particular focus on intellectual property (IP) and environmental litigation. Jessica also provides counsel to her clients on avoiding litigation by resolving business disputes before they rise to the level of arbitration or litigation. Particular to her IP litigation experience, Jessica's practice includes protecting patents and trademarks in federal and appellate courts and before the International Trade Commission for clients in industries such as medical and mechanical devices, computer software and hardware, pharmaceuticals, telecommunications, and e-commerce technologies. Jessica's experience in appellate work includes argument before the Federal Circuit. Additionally, Jessica has experience handling the transactional aspects of intellectual property, including drafting and negotiating licenses, preparing and prosecuting trademark applications, preparing opinions, and conducting due diligence investigations.

Mark Schildkraut
Associate General Counsel – IP and Worldwide Cybersecurity Counsel
Becton, Dickinson and Company

Mark Schildkraut is Associate General Counsel-IP and Worldwide Cybersecurity Counsel at Becton, Dickinson and Company (BD), a Fortune 500 medical device and instrumentation technology company that develops, manufactures and sells medical devices, instrument systems and reagents.

Mark has responsibility for IP litigation matters at BD.

Mark is also responsible for establishing legal strategy and counsel on enforcement issues relating to the infiltration of BD's information network and product offerings and exfiltration of BD's sensitive information. Particularly noteworthy was Mark's involvement in BD v. Maniar and US v. Maniar, resulting in the guilty plea of two counts of theft and attempted theft of trade secrets. He has also been involved with criminal prosecutions in Utah and Illinois, as well as civil enforcement in China.

Mark has been an associate with BD's Legal Department since 2005.

Prior to joining BD in 2005, Mark was an associate at Kaye Scholer LLP and Morgan & Finnegan LLP, focusing on patent litigation, IP clearance and prosecution matters. Mark received his J.D. from Fordham University's School of Law and a B.S. in Electrical Engineering from the State University of New York at Buffalo.

Sarah Statz
Vice President and Senior Counsel
American Express

Sarah Statz is Vice President and Senior Counsel for American Express and a member of the Technology & Digital Law Group in the General Counsel's Organization. She is responsible for cybersecurity and third party lifecycle management legal issues globally. In this role, Sarah works closely with American Express procurement, technology and information security teams to ensure compliance with regulatory requirements, respond to cyber related regulatory examinations, review and develop information security policies and procedures and engage in breach preparedness planning. She also negotiates information security provisions in global contracts and assists with cybersecurity lobbying efforts.

Prior to American Express, Sarah was a Senior Associate at King & Spalding in Atlanta. While at King & Spalding, Sarah was member of the firm's Business Litigation Practice Group and the Privacy & Information Security Practice. In this role, she advised clients on requirements for compliance with security and privacy laws and cyber insurance matters; developed comprehensive security and privacy programs and training resources; managed investigations of security breaches; and defended litigation, including class action litigation, arising out of security incidents.

Sarah is a member of the International Association of Privacy Professionals (IAPP) and is a Certified Information Privacy Manager (CIPM). She received her law degree from Vanderbilt University and a B.S.B. in actuary science and finance from the University of Minnesota.

Gail Zarick
IP Counsel – Security Division
IBM Corporation

Gail Zarick currently serves as IP Counsel for the Security Division of IBM. She also co-leads IBM's Armonk, New York pro bono program. She has managed teams of IP attorneys who support other IBM business units, Research labs, and CHQ organizations. She has trained and managed teams of attorneys to conduct legal due diligence for patent sales and large divestitures, and she has provided IP advice and counsel for acquisitions. In other roles, Gail has negotiated patent assignments and licenses and has managed patent litigations. Before joining IBM, Gail practiced intellectual property law at Pennie & Edmonds LLP in New York.

Admitted to the bar in the State of New York
Registered to practice before the U.S. Patent & Trademark Office
Member, NYIPLA

JD, Pace University School of Law
MSE, University of Pennsylvania
BSE, Princeton University

Handling Client Confidential IP Information in the Digital Age

NYIPLA
November 15, 2018

Mark Schildkraut

Protecting My Practice / Protecting My Client

- Information Is Key



- Legal Practice Is Under Attack


- Managing the Risk and Expectations

- Take Action – Proactive and Responsive


Information Security Risk Management: Focus on Legal Trends and Third Party IS Risk

Sarah Statz, Vice President & Senior Counsel
American Express

Legal Trends

Legal and regulatory requirements and guidance are increasing

U.S. Federal

- Gramm Leech Bliley Safeguards Rule
- Federal Financial Institutions Examination Council (FFIEC) IT Examination Handbooks
- The Fed SR 13-19 & OCC Bulletin 2013 - 29 – Third Party Oversight
- HIPAA, HITECH ACT – requirements for business associates

U.S. State

- NYDFS – Regulation 500
- State breach notification and security requirements (All 50 states & 2 U.S. territories)

International

- EU General Data Protection Regulation (GDPR)
- Philippines Data Privacy Act of 2012
- Australia Privacy Amendment
- Internet Security Law of the People's Republic of China
- Canada Personal Information Protection and Electronic Documents Act (PIPEDA)
- Brazil Cybersecurity Regulation
- Argentina recommended security measures
- Many more!

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Key regulatory themes

Security Controls

- Encryption
- Multifactor/Strong Customer Authentication
- Vulnerability/Penetration Testing
- Employee Training
- Cyber Threat Sharing
- Data Localization

Risk Management

- Board Oversight
- Risk Management
- Understanding Internal and External Dependencies

Breach Notification

- Regulator Notification
- Consumer Notification
- Timing Requirements

Third Party Oversight

- Contractual Controls
- Due Diligence
- Ongoing Oversight
- Cloud Providers

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Key security considerations

- Maintain a comprehensive written information security program, which requires:
  - Board level involvement
  - Assess internal and external threats
  - Manage and control risk, by taking the following measures:
    - Access controls
    - Access restrictions at physical locations
    - Encryption, at rest and in transit
    - Procedures for change management to customer information systems
    - Dual control procedures, segregation of duties and employee background checks
    - Monitoring systems
    - Response programs to respond to actual or attempted breaches
    - Protect against destruction, loss or damage to customer information
  - Employee Training
  - Regular testing of controls, systems and procedures
  - Oversee service providers, by exercising due diligence and contract controls
  - Review and make adjustments to the program based on evolving threats

Third Party IS Risk

Pillars of third party risk (banking)

1) Compliance
2) SOX
3) Privacy
4) Information Security
5) Financial Health
6) Reputation
7) Sanctions
8) Service Continuity
9) Antitrust
10) Anticorruption
*11) Fourth Party

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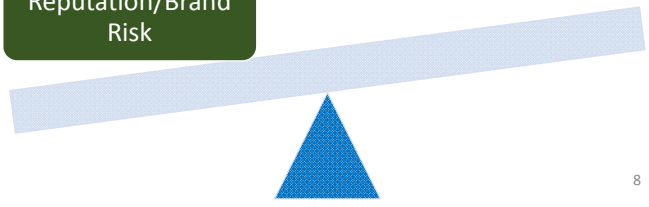
Balancing Third Party Risk

Cost of under doing it	Cost of overdoing it
Legal/regulatory fines and penalties	Loss of business
Service disruption	Increase in time to close transactions
Loss of intellectual property	Inability to focus on highest risk
Data Breach	Resource drain
Reputation/Brand Risk	



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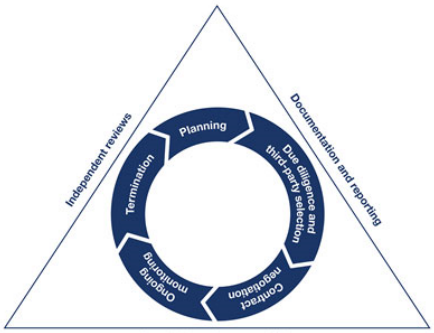
OCC Bulletin 2013-29 Guidance
"Effective risk management includes"

- Plans that outline the bank's strategy, identify the inherent risks of the activity, and detail how the bank selects, assesses, and oversees the third party.
- Proper due diligence in selecting a third party.
- Written contracts that outline the rights and responsibilities of all parties.
- Ongoing monitoring of the third party's activities and performance.
- Contingency plans for terminating the relationship in an effective manner.
- Clear roles and responsibilities for overseeing and managing the relationship and risk management process.
- Documentation and reporting that facilitates oversight, accountability, monitoring, and risk management.
- Independent reviews that allow bank management to determine that the bank's process aligns with its strategy and effectively manages risks.

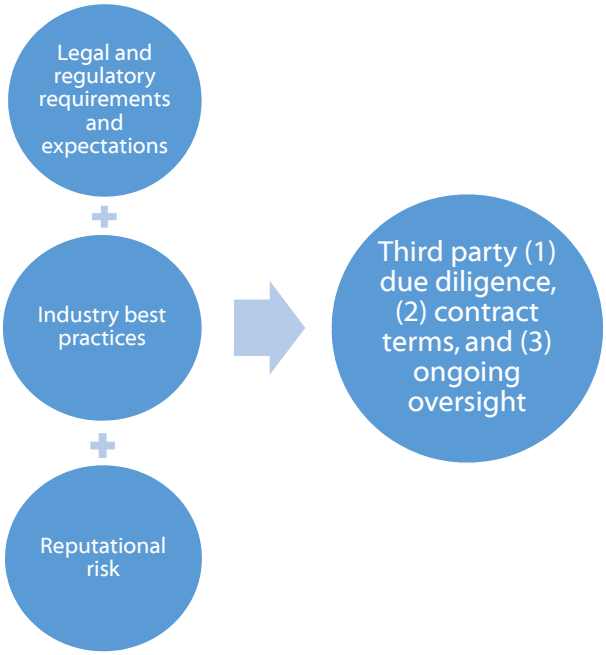


Source: OCC

NIST Cybersecurity Framework (ID)

Supply Chain Risk Management (ID.SC): The organization's priorities, constraints, risk tolerances, and assumptions are established and used to support risk decisions associated with managing supply chain risk. The organization has established and implemented the processes to identify, assess and manage supply chain risks.	**ID.SC-1:** Cyber supply chain risk management processes are identified, established, assessed, managed, and agreed to by organizational stakeholders	**CIS CSC** 4 **COBIT 5** APO10.01, APO10.04, APO12.04, APO12.05, APO13.02, BAI01.03, BAI02.03, BAI04.02 **ISA 62443-2-1:2009** 4.3.4.2 **ISO/IEC 27001:2013** A.15.1.1, A.15.1.2, A.15.1.3, A.15.2.2 **NIST SP 800-53 Rev. 4** SA-9, SA-12, PM-9
	ID.SC-2: Suppliers and third party partners of information systems, components, and services are identified, prioritized, and assessed using a cyber supply chain risk assessment process	**ISA 62443-2-1:2009** 4.2.3.1, 4.2.3.2, 4.2.3.3, 4.2.3.4, 4.2.3.6, 4.2.3.8, 4.2.3.9, 4.2.3.10, 4.2.3.12, 4.2.3.13, 4.2.3.14 **ISO/IEC 27001:2013** A.15.2.1, A.15.2.2 **NIST SP 800-53 Rev. 4** RA-2, RA-3, SA-12, SA-
	ID.SC-3: Contracts with suppliers and third-party partners are used to implement appropriate measures designed to meet the objectives of an organization's cybersecurity program and Cyber Supply Chain Risk Management Plan.	**ISA 62443-2-1:2009** 4.3.2.6.4, 4.3.2.6.7 **ISO/IEC 27001:2013** A.15.1.1, A.15.1.2, A.15.1.3 **NIST SP 800-53 Rev. 4** SA-9, SA-11, SA-12, PM-
	ID.SC-4: Suppliers and third-party partners are routinely assessed using audits, test results, or other forms of evaluations to confirm they are meeting their contractual obligations.	**ISA 62443-2-1:2009** 4.3.2.6.7 **ISA 62443-3-3:2013** SR 6.1 **NIST SP 800-53 Rev. 4** AU-2, AU-6, AU-12, AU-16, PS-7, SA-9, SA-12
	ID.SC-5: Response and recovery planning and testing are conducted with suppliers and third-party providers	**CIS CSC** 19, 20 **COBIT 5** DSS04.04 **ISA 62443-2-1:2009** 4.3.2.5.7, 4.3.4.5.11 **ISA 62443-3-3:2013** SR 2.8, SR 3.3, SR.6.1, SR 7.3, SR 7.4 **ISO/IEC 27001:2013** A.17.1.3 **NIST SP 800-53 Rev. 4** CP-2, CP-4, IR-3, IR-4, IR-6, IR-8, IR-9

Drilling Down



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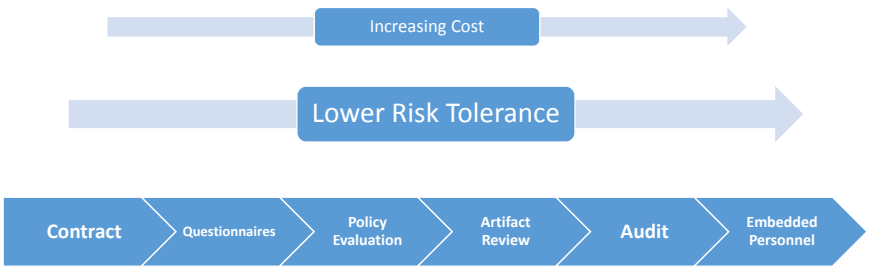
Diligence spectrum



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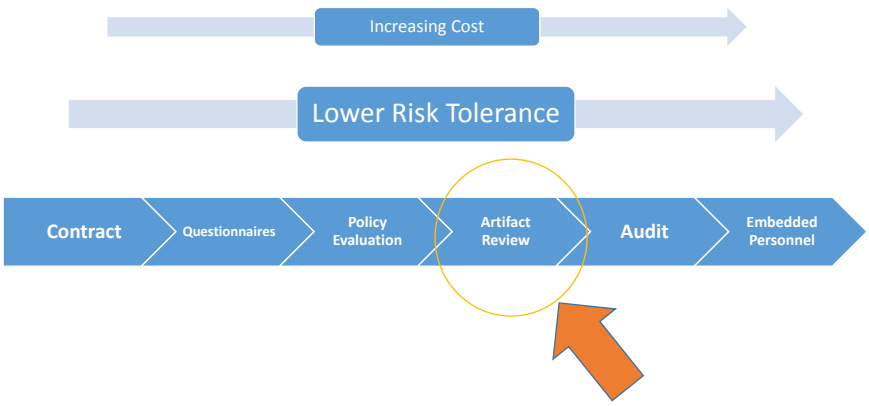
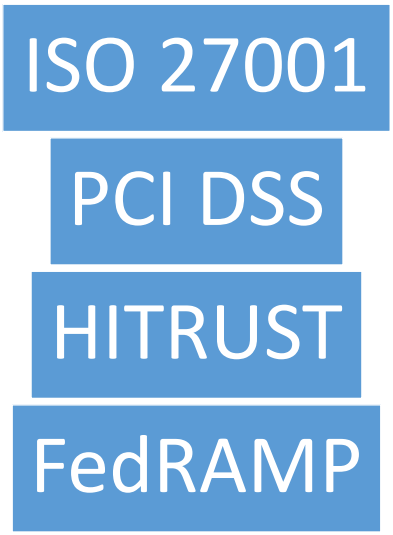
Diligence approaches

- "One-size-fits-all" does not work
  - Different data
  - Different risks
  - Different relationships
- Segment vendors by data provided
  - PII
  - Sensitive company information (IP)
- Segment vendors by risk level (it's not all about PII)
  - Critical versus lower risk vendors
- Determine appropriate level of ongoing oversight
  - Frequency
  - Level of diligence

Deep dive – artifact review



Certifications



Key Issues:

1. Is the certification applicable to your relationship?
2. How frequently does the vendor have to provide evidence of the certification?
3. Does the vendor have to notify you of material modifications to its program?

Third party audits – not "certifications"

Key Issues:

1. Does the third party audit cover the systems relevant to your relationship? Scope, Scope, Scope
2. How frequently does the vendor have to provide the third party audit?
3. What does your organization do with the results?
4. What else is needed for due diligence?

Third party audits – SOC reports

Third party audits - SOC reports (cont.)

Comparison	Types	Audience	Use	Includes
SOC1	Type 1 Type 2	Users' controller's office and user auditors	Audits of Financial Statements	Reporting on controls relevant to user financial reporting / Internal Controls over financial reporting
SOC2 – SOC for Service Organizations: Trust Services Criteria	Type 1 Type 2	Management Regulators Partner Companies	Governance Risk & Compliance programs Oversight Due diligence	Reporting on controls at a service organization relevant to the security, availability, processing, integrity or privacy
SOC3		Any users with need for confidence in service organization's controls	Marketing purposes; details of the controls tested are not documented, can be published over the website	Seal and easy to read report on controls as covered in SOC2
SOC for Cybersecurity		Management Regulators Partner Companies	Governance Risk & Compliance programs Oversight Due diligence Management effectiveness evaluations	Reporting on an entity's cybersecurity risk management program and controls

Third party audits – SOC reports (cont.)

- Type 2 – report on the fairness of the presentation of management's description of the service organization's system and the suitability of the design and operating effectiveness of the controls to achieve the related control objectives included in the description throughout a specified period.
- Type 1 – report on the fairness of the presentation of management's description of the service organization's system and the suitability of the design of the controls to achieve the related control objectives included in the description as of a specified date.

Third party audits – SOC reports (cont.)

SOC 2, Type 2

- To provide a CPA's opinion on the controls at a service organization relevant to the security, availability, processing integrity, confidentiality, or privacy.
- Goal: to help service organizations build trust and confidence in the services performed and controls related to those services to aid external users (user entities of the system, business partners, and regulators in 3rd party risk management).

SOC for Cybersecurity

- To provide a CPA's opinion on the description of the cybersecurity risk management program and the effectiveness of controls within that program.
- Goal: to enhance the credibility of management-prepared cybersecurity information to aid external users (investors, analysts, vendors and business partners) in their decision making.

Scoring services

BITSIGHT® The Standard in SECURITY RATINGS

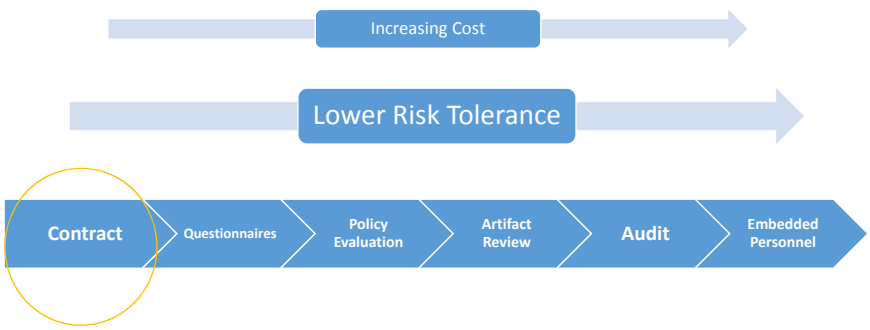
SecurityScorecard

PREVALENT®

Key Issues:

1. Only based on publicly available information
2. Potential inaccuracies in ratings
3. Actionable?

Diligence deep dive – vendor contracts



Key contractual controls

- Must have written information security policy
  - Logging
  - Access controls
  - Consequences for non-compliance
  - "Least privilege" & "segregation of duties"
  - Patching (WannaCry)
  - Disposal/retention
- Magic language: "maintain, monitor and enforce reasonable organizational, administrative, technical and physical safeguards to protect the security, integrity, confidentiality and availability" of data
- Tied to standard (ISO 27001, NIST 800-53, etc.)
- Compliance with applicable law
- Incident Response & Notification
- Encryption

Key contractual controls (cont.)

- Authentication controls
- Validation/audits
  - Right to review policies, certifications, test results, etc.
  - On-site audit if necessary
  - Frequency (annual or if required by regulator or if security incident)
- Training
- Subcontractors/Fourth Parties
- Vulnerability and Pen Tests

Contract strategy

- Additional terms for particularly high risk contracts?
  - SOC report
  - Pentest results
  - Additional audit rights or security team check ins
- How do you handle the battle of the forms?
  - Stick with your form?
  - Review the other form to ensure consistency with requirements?
- Do your teams know what their backup positions are?
- Are your contracts technology agnostic?
  - Encryption standards, authentication, perimeter protection, malware detection
- Do you have a feedback loop (i.e., who is reading the SOC reports)?
- Who provides support to the lawyers in contract negotiations?

Questions?

Ethical and Cybersecurity Considerations for Patent Lawyers

By Gail H. Zarick

News stories of cyber attacks and security breaches have become so commonplace that it is possible to become resigned to these occurrences, or feel helpless to do anything about cyber risks. As lawyers, we might decide to prioritize our attention on other matters. Perhaps we have the excuse that we are busy with "real" work: that we don't have time to become experts in cybersecurity. Leave it to the IT or Security department to keep data and information secure, right? To make matters even more discouraging, we hear: "it's not a matter of *whether* you are going to get hacked, but *when*." It is too overwhelming to imagine how we would deal with *that* scenario, so let's get back to actual lawyering, ok?

Wrong. It is critical for lawyers to develop mindsets that are alert to cyber risks and carry out good security practices. Patent lawyers routinely advise clients on intellectual property matters, which can be enticing and valuable targets for cyber criminals. This article begins by reviewing some essential ethical responsibilities lawyers should be aware of as they work with clients in the electronically connected workplace. We then consider how patent lawyers can apply these professional obligations to promote security-aware work practices.

Maintain technical competence

Every lawyer learns in law school that providing competent representation to clients is a fundamental ethical responsibility. Rule 1.1(a) of the New York Rules of Professional Conduct requires:

> "A lawyer should provide competent representation to a client. Competent representation requires the legal knowledge, skill, thoroughness and preparation reasonably necessary for the representation."[1]

The practice of law routinely requires lawyers to adapt to changes in communication methods, electronic systems, and tools as they work with clients. Recognizing the impact of technological change on the practice of law, and the need for lawyers to keep up with such changes, the New York State Bar Association amended its commentary to New York Rule 1.1 in 2012. Comment 8 to Rule 1.1 now reads:

> To maintain the requisite knowledge and skill, a lawyer should (i) keep abreast of changes in substantive and procedural law relevant to the lawyer's practice, (ii) **keep abreast of the benefits and risks associated with technology the lawyer uses to provide services to clients or to store or transmit confidential information**, and (iii) engage in continuing study and education

[1] Rule 1.1 (a) of the Rules of Professional Conduct (22 NYCRR 1200.0). The ABA Model Rule 1.1(a) is the same.

> and comply with all applicable continuing legal education requirements under 22 N.Y.C.R.R. Part 1500. [*emphasis added*] [2]

Because clients entrust lawyers with confidential and privileged information, it is critically important for lawyers to understand how to keep such information secure. This duty to maintain "technical competence" includes gaining some understanding of how client information is stored, accessed, transmitted, and used, and what security risks may be associated with everyday uses of such information.

Prevent inadvertent or unauthorized disclosure of client information

A lawyer's responsibility to maintain technical competence is interwoven with the obligation to protect and preserve the confidentiality of client information and data. New York implements strong ethical rules for handling client information. In particular, Rule 1.6(c) states: "A lawyer shall make reasonable efforts to prevent the inadvertent or unauthorized disclosure or use of, or unauthorized access to, information protected by Rules 1.6, 1.9(c), or 1.18(b)."[3] Noting that the rule requires a lawyer to use "reasonable efforts", the commentary to this rule helps to define the reasonableness standard. Comment 16 elaborates as follows:

> Factors to be considered in determining the reasonableness of the lawyer's efforts include, but are not limited to:
>
> (i) the sensitivity of the information;
> (ii) the likelihood of disclosure if additional safeguards are not employed;
> (iii) the cost of employing additional safeguards;
> (iv) the difficulty of implementing the safeguards; and
> (v) the extent to which the safeguards adversely affect the lawyer's ability to represent clients (e.g., by making a device or software excessively difficult to use).[4]

Lawyers routinely use electronic communications, systems, and tools to transmit, store, and use client information. Whether a lawyer makes reasonable efforts in any given matter to prevent client information from inadvertent or unauthorized disclosure, is fact-specific. No single prescription can therefore define whether a lawyer has satisfied the reasonableness standard.

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[2] Comment 8 to ABA Model Rule 1.1 is different, but it also includes a requirement to maintain technical competence: "To maintain the requisite knowledge and skill, a lawyer should keep abreast of changes in the law and its practice, including the benefits and risks associated with relevant technology, engage in continuing study and education and comply with all continuing legal education requirements to which the lawyer is subject."

[3] New York Rules 1.6, 1.9 and 1.18, respectively, pertain to confidentiality of information, duties to former clients, and duties to prospective clients.

[4] Comment (16) of Rules of Professional Conduct (22 NYCRR 1200.0) rule 1.6(c) (rev Jan. 2017).

In New York, the question of whether a lawyer may use an online system to store client confidential information without violating the duty of confidentiality was addressed back in 2010, in Ethics Opinion 842.[5] The opinion concluded that "a lawyer may use an online 'cloud' computer data backup system to store client files provided that the lawyer takes reasonable care to ensure that the system is secure and that client confidentiality will be maintained." The Ethics Committee referred to a lawyer's responsibility under Rule 1.6(c) to use "'reasonable care' to protect a client's confidential information against unauthorized disclosure." Reasonable care, according to Opinion 842, includes the obligation to "prevent others whose services are utilized by the lawyer from disclosing or using confidential information of a client."[6]

More recent guidance regarding how to implement "reasonable efforts" to protect client information can be found in a Formal Opinion written by the American Bar Association in 2017.[7] In Formal Opinion 477R, the ABA Committee acknowledges: "What constitutes reasonable efforts is not susceptible to a hard and fast rule." Instead, the Committee reviews the factors (set forth in the above discussion of Comment 16 to Rule 1.6(c)) that can guide lawyers in determining what is reasonable. In addition, Opinion 477R offers guidance to help lawyers consider the cybersecurity implications of their communications methods and processes for storing and handling client information. This guidance is summarized here as follows:

1. Understand the nature of the threat;
2. Understand how client confidential information is transmitted and where it is stored;
3. Understand and use reasonable electronic security measures;
4. Determine how electronic communications about client matters should be protected;
5. Label client confidential information;
6. Train lawyers and nonlawyer assistants in technology and information security; and
7. Conduct due diligence on vendors providing communication technology.[8]

In Opinion 477R, the ABA Committee says it is "beyond the scope of an ethics opinion to specify the reasonable steps that lawyers should take under any given set of facts."[9] Nevertheless, its guidance offers some clarity on how lawyers can comply with their duties of confidentiality in protecting client information from cyber threats.

Keep clients reasonably informed

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[5] New York State Bar Association, Committee on Professional Ethics, Opinion 842 (2010).

[6] *Id*.

[7] ABA Committee on Ethics and Professional Responsibility, Formal Opinion 477R (2017).

[8] *Id*.

[9] *Id*.

Despite exercising reasonable efforts to keep client information secure, a lawyer or firm may still become the target of a cyber attack or data breach. No ethical lawyer wants to become such a target. Nevertheless, it is important to understand what ethical obligations arise after such an event occurs, particularly with respect to data breaches that affect information relating to the representation of a client.

New York Rule 1.4 addresses communications between lawyers and clients. Rule 1.4(a)(3) requires a lawyer to "keep the client reasonably informed about the status of the matter". Rule 1.4(b) also provides that "A lawyer shall explain a matter to the extent reasonably necessary to permit the client to make informed decisions regarding the representation." Thus, if a data breach or cyberattack exposes client confidential information, a lawyer is responsible for informing the client about it in a manner that is consistent with the ethical rules. Of course, many other laws, regulations, rules, policies, agreements, and practices may also impose obligations on lawyers who have suffered a data breach. These are beyond the scope of this article but should nevertheless be considered and analyzed to ensure compliance with post-breach obligations.

A lawyer's responsibilities to communicate with clients after an electronic data breach or cyberattack are discussed in the American Bar Association's Formal Opinion 483, published in October 2018.[10] Of course, before a lawyer can communicate such news to clients, the lawyer must have some awareness of the breach. As Formal Opinion 483 explains, "an ethical violation does not necessarily occur if a cyber-intrusion or loss of electronic information is not immediately detected, because cyber criminals might successfully hide their intrusion despite reasonable or even extraordinary efforts by the lawyer."[11] Rather, a lawyer may violate ethical obligations when he or she "does not undertake reasonable efforts to avoid data loss or to detect cyber-intrusion, and that lack of reasonable effort is the cause of the breach."[12] The Opinion goes on to address a lawyer's obligation to inform current clients as well as former clients. The obligation includes a continuing duty to keep clients reasonably informed. Clients should be informed about what information has been disclosed or accessed, and what the lawyer plans to do in response to the breach. The responsibility to communicate with clients and keep them reasonably informed is a "continuing duty," as the Committee concludes.[13]

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[10] ABA Comm. on Ethics & Prof'l Responsibility, Formal Op. 483 (2018) ("Lawyers' Obligations After an Electronic Data Breach or Cyberattack").

[11] *Id*. Cyber intrusions are not always detected immediately. A study conducted by the Ponemon Institute in 2018 found that the average time to identify a data breach was 197 days. "2018 Cost of a Data Breach Study," Ponemon Institute, 2018, available at: https://securityintelligence.com/series/ponemon-institute-cost-of-a-data-breach-2018/.

[12] *Id*.

[13] *Id*.

Patent lawyers safeguard critical client information

In their daily interactions with clients, patent lawyers access, communicate and handle client information that is potentially highly valuable. Intellectual property can also be sensitive information that must be kept confidential. It is well known that cyber criminals and hackers target law firms and companies to access, steal, or otherwise exploit intellectual property. Because the subject matter that patent lawyers work with is of interest and value to cyber thieves, patent lawyers need to be particularly aware of their professional responsibility obligations to protect electronic communications and the information and data they exchange with clients.

This article has discussed the need for lawyers to maintain competence in the technologies they use when working on client matters. Patent lawyers inevitably use electronic means for storing client information such as invention disclosures, and for exchanging emails and other messages with inventors, administrative staff, and others involved with patent related processes. The electronic tools they use may be complex, and processes for storing or transmitting patent-related documents between lawyers and clients may be subject to frequent changes.

Nevertheless, keeping abreast of such changes is not only a good practice for maintaining productivity, it is also an ethical responsibility. Fortunately, patent lawyers tend to have well-honed skills and experience in keeping abreast of technological change. To analyze an invention disclosure or patent, a patent lawyer must apply the kind of mindset that is receptive to learning new technologies. Therefore, the ethical patent lawyer has every capability and motivation necessary to comply with the responsibility to maintain technical competence.

A second responsibility discussed in this article is that lawyers should prevent client information from being disclosed inadvertently or without authorization. It is one thing for a patent lawyer to exercise personal, reasonable efforts to keep client data and information secure. But lawyers do not work independently: they routinely rely on a network of staff members, office personnel, vendors and others to provide services to clients. These individuals and entities may access drafts of patent applications; prior art search results; inventor comments; opinions regarding the enforceability or invalidity of patents; discussions about licensing, purchasing, or litigating patents; and other sensitive client information and communications. Lawyers should therefore consider whether those additional people and entities know how to safeguard client information and apply secure practices to prevent unauthorized disclosure.

According to the Ponemon "2018 Cost of a Data Breach Study," most data breaches are caused by hackers and criminal insiders.[14] Still, some breaches happen when employees and others within an enterprise fail to implement good cyber security practices. This "insider threat" can increase a firm's risks of loss, theft, or unauthorized disclosure of client information. A 2015 report by Verizon concluded that insider misuse was responsible for 20.6% of all security incidents.[15] If insiders are not educated or trained about information security practices, they can damage or even destroy a lawyer's ability to prevent unauthorized disclosures of client information. It may be necessary for patent lawyers – and/or

[14] Ponemon, *supra*.

[15] "2015 Data Breach Investigations Report," Verizon (2015).

other experts – to train individuals in information security, and to ensure that appropriate systems are being used to prevent unauthorized access to client information from within and outside the firm or enterprise.

Fortunately, many educational materials, guides and other resources exist which advise on practices that can be implemented to keep client information from being compromised in the event of a cyber incident.[16] Of course, patent lawyers may also seek advice from security experts outside the legal profession, to better understand how information technologies, systems and storage methods can be used to comply with legal, regulatory, contractual, and ethical obligations for keeping client information secure.

This article has also reviewed a lawyer's ethical responsibility to keep clients reasonably informed. While patent lawyers routinely inform their clients about the status of patent applications, the prosecution thereof, and other patent matters, the responsibility at issue here is the need to keep clients reasonably informed in the event of a cyber attack or data breach. Reasonable steps should be taken first, to prevent the breach from occurring in the first place. Lawyers should also make reasonable efforts to monitor information technology systems to detect possible breaches. But if a breach causes client information to be misappropriated, lost, or compromised in some way, lawyers must keep their clients reasonably informed. They must explain the circumstances "to the extent reasonably necessary" so the client can make "informed decisions".[17]

While no patent lawyer is likely to want to be in the position of having to notify a client of a security breach, it is nevertheless critical to know of the ethical obligations that apply in this type of circumstance. One has only to consider media reports of companies that have suffered cyber attacks or breaches and have failed to provide prompt notice to customers. Typically, the longer it takes an entity to publicly disclose that a breach has occurred, the worse the consequences are for the target entity. The consequences of not keeping customers informed include reputational harm, lost business opportunities, and other financial and legal liabilities, over and above the harm caused by the loss or theft of data and other information. Patent lawyers, who routinely deal with inventions and client confidential know-how, have plenty of reasons to take appropriate actions in the event of a security incident or cyber intrusion. These reasons extend beyond the desire to maintain one's professional reputation and avoid financial penalties. The obligation to keep clients reasonably informed, even in the event of a cyber incident, is fundamental to the legal profession's raison d'etre: to advise clients with professionalism.

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[16] Some suggested reading materials include:

> "Federal Communications Commission Cyber Security Planning Guide," https://transition.fcc.gov/cyber/cyberplanner.pdf.
>
> "Cybersecurity is Everyone's Job," A Publication of the National Initiative for Cybersecurity Education Working Group Subgroup on Workforce Management at the National Institute of Standards and Technology, published October 2018. https://www.nist.gov/itl/applied-cybersecurity/nice/workforce-management-guidebook.

[17] Rule 1.4, *supra*.

Conclusion

Intellectual property represents some of the most valuable assets of today's corporations and individual clients. As such, it merits ongoing attention for patent lawyers to keep their clients' IP secure. Patenting an invention is one way to "secure" an exclusive right for a client. Keeping the intellectual property and client communications safe from cyber criminals and hackers is another way to secure it. The ethical responsibilities discussed in this article remind patent lawyers of the importance of maintaining a cyber aware mindset toward safeguarding client information.

NYIPLA
One-Day Patent CLE Seminar

Ethical and Cybersecurity Considerations for Patent Lawyers:

Selected Rules of Professional Conduct (22 NYCRR 1200.0)

Gail H. Zarick
November 15, 2018

Competence
Rule 1.1(a), NY Rules of Professional Conduct

- Rule 1.1(a):

  A lawyer should provide competent representation to a client. Competent representation requires the legal knowledge, skill, thoroughness and preparation reasonably necessary for the representation.

- Comment 8 to Rule 1.1(a):

  To maintain the requisite knowledge and skill, a lawyer should (i) keep abreast of changes in substantive and procedural law relevant to the lawyer's practice, (ii) keep abreast of the benefits and risks associated with technology the lawyer uses to provide services to clients or to store or transmit confidential information, and (iii) engage in continuing study and education and comply with all applicable continuing legal education requirements under 22 N.Y.C.R.R. Part 1500.

2

Confidentiality of Information
Rule 1.6(c), NY Rules of Professional Conduct

- Rule 1.6(c):

  A lawyer shall make reasonable efforts to prevent the inadvertent or unauthorized disclosure or use of, or unauthorized access to, information protected by Rules 1.6, 1.9(c), or 1.18(b).

3

Communication
(Portions of) Rule 1.4, NY Rules of Professional Conduct

- Rule 1.4 (a):

  A lawyer shall:

  (1) promptly inform the client of:

  (iii) material developments in the matter including settlement or plea offers.

- Rule 1.4(b):

  A lawyer shall explain a matter to the extent reasonably necessary to permit the client to make informed decisions regarding the representation.

4

Index of Materials for Ethical and Cybersecurity Considerations for Patent Lawyers

Doc. No.	Description
1	American Bar Association's Standing Committee on Ethics and Professional Responsibility, Formal Opinion 483, "Lawyers' Obligations After an Electronic Data Breach or Cyberattack" (October 17, 2018)
2	American Bar Association's Standing Committee on Ethics and Professional Responsibility, Formal Opinion 477, "Securing Communication of Protected Client Information" (May 11, 2017)
3	New York State Bar Association's Committee on Professional Ethics, Ethics Opinion 842, "Using an outside online storage provider to store client confidential information" (September 10, 2010)

The above materials can be found online at:
www.nyipla.org/assnfe/ev.asp?ID=242

Doc. No. 3

NEW YORK STATE BAR ASSOCIATION
Serving the legal profession and the community since 1876

ETHICS OPINION 842

COMMITTEE ON PROFESSIONAL ETHICS

Opinion 842 (9/10/10)

Topic: Using an outside online storage provider to store client confidential information.

Digest: A lawyer may use an online data storage system to store and back up client confidential information provided that the lawyer takes reasonable care to ensure that confidentiality will be maintained in a manner consistent with the lawyer's obligations under Rule 1.6. In addition, the lawyer should stay abreast of technological advances to ensure that the storage system remains sufficiently advanced to protect the client's information, and should monitor the changing law of privilege to ensure that storing the information online will not cause loss or waiver of any privilege.

Rules: 1.4, 1.6(a), 1.6(c)

QUESTION

1. MAY A LAWYER USE AN ONLINE SYSTEM TO STORE A CLIENT'S CONFIDENTIAL INFORMATION WITHOUT VIOLATING THE DUTY OF CONFIDENTIALITY OR ANY OTHER DUTY? IF SO, WHAT STEPS SHOULD THE LAWYER TAKE TO ENSURE THAT THE INFORMATION IS SUFFICIENTLY SECURE?

OPINION

2. VARIOUS COMPANIES OFFER ONLINE COMPUTER DATA STORAGE SYSTEMS THAT ARE MAINTAINED ON AN ARRAY OF INTERNET SERVERS LOCATED AROUND THE WORLD. (THE ARRAY OF INTERNET SERVERS THAT STORE THE DATA IS OFTEN CALLED THE "CLOUD.") A SOLO PRACTITIONER WOULD LIKE TO USE ONE OF THESE ONLINE "CLOUD" COMPUTER DATA STORAGE SYSTEMS TO STORE CLIENT CONFIDENTIAL INFORMATION. THE LAWYER'S AIM IS TO ENSURE THAT HIS CLIENTS' INFORMATION WILL NOT BE LOST IF SOMETHING HAPPENS TO THE LAWYER'S OWN COMPUTERS. THE ONLINE DATA STORAGE SYSTEM IS PASSWORD-PROTECTED AND THE DATA STORED IN THE

ONLINE SYSTEM IS ENCRYPTED.

3. A DISCUSSION OF CONFIDENTIAL INFORMATION IMPLICATES RULE 1.6 OF THE NEW YORK RULES OF PROFESSIONAL CONDUCT (THE "RULES"), THE GENERAL RULE GOVERNING CONFIDENTIALITY. RULE 1.6(A) PROVIDES AS FOLLOWS:

A LAWYER SHALL NOT KNOWINGLY REVEAL CONFIDENTIAL INFORMATION . . . OR USE SUCH INFORMATION TO THE DISADVANTAGE OF A CLIENT OR FOR THE ADVANTAGE OF A LAWYER OR A THIRD PERSON, UNLESS:

> (1) THE CLIENT GIVES INFORMED CONSENT, AS DEFINED IN RULE 1.0(J);
>
> (2) THE DISCLOSURE IS IMPLIEDLY AUTHORIZED TO ADVANCE THE BEST INTERESTS OF THE CLIENT AND IS EITHER REASONABLE UNDER THE CIRCUMSTANCES OR CUSTOMARY IN THE PROFESSIONAL COMMUNITY; OR
>
> (3) THE DISCLOSURE IS PERMITTED BY PARAGRAPH (B).

4. THE OBLIGATION TO PRESERVE CLIENT CONFIDENTIAL INFORMATION EXTENDS BEYOND MERELY PROHIBITING AN ATTORNEY FROM REVEALING CONFIDENTIAL INFORMATION WITHOUT CLIENT CONSENT. A LAWYER MUST ALSO TAKE REASONABLE CARE TO AFFIRMATIVELY PROTECT A CLIENT'S CONFIDENTIAL INFORMATION. *SEE* N.Y. COUNTY 733 (2004) (AN ATTORNEY "MUST DILIGENTLY PRESERVE THE CLIENT'S CONFIDENCES, WHETHER REDUCED TO DIGITAL FORMAT, PAPER, OR OTHERWISE"). AS A NEW JERSEY ETHICS COMMITTEE OBSERVED, EVEN WHEN A LAWYER WANTS A CLOSED CLIENT FILE TO BE DESTROYED, "[S]IMPLY PLACING THE FILES IN THE TRASH WOULD NOT SUFFICE. APPROPRIATE STEPS MUST BE TAKEN TO ENSURE THAT CONFIDENTIAL AND PRIVILEGED INFORMATION REMAINS PROTECTED AND NOT AVAILABLE TO THIRD PARTIES." NEW JERSEY OPINION (2006),

QUOTING NEW JERSEY OPINION 692 (2002).

5. IN ADDITION, RULE 1.6(C) PROVIDES THAT AN ATTORNEY MUST "EXERCISE REASONABLE CARE TO PREVENT . . . OTHERS WHOSE SERVICES ARE UTILIZED BY THE LAWYER FROM DISCLOSING OR USING CONFIDENTIAL INFORMATION OF A CLIENT" EXCEPT TO THE EXTENT DISCLOSURE IS PERMITTED BY RULE 1.6(B). ACCORDINGLY, A LAWYER MUST TAKE REASONABLE AFFIRMATIVE STEPS TO GUARD AGAINST THE RISK OF INADVERTENT DISCLOSURE BY OTHERS WHO ARE WORKING UNDER THE ATTORNEY'S SUPERVISION OR WHO HAVE BEEN RETAINED BY THE ATTORNEY TO ASSIST IN PROVIDING SERVICES TO THE CLIENT. WE NOTE, HOWEVER, THAT EXERCISING "REASONABLE CARE" UNDER RULE 1.6 DOES NOT MEAN THAT THE LAWYER GUARANTEES THAT THE INFORMATION IS SECURE FROM *ANY* UNAUTHORIZED ACCESS.

6. TO DATE, NO NEW YORK ETHICS OPINION HAS ADDRESSED THE ETHICS OF *STORING* CONFIDENTIAL INFORMATION ONLINE. HOWEVER, IN N.Y. STATE 709 (1998) THIS COMMITTEE ADDRESSED THE DUTY TO PRESERVE A CLIENT'S CONFIDENTIAL INFORMATION WHEN *TRANSMITTING* SUCH INFORMATION ELECTRONICALLY. OPINION 709 CONCLUDED THAT LAWYERS MAY TRANSMIT CONFIDENTIAL INFORMATION BY E-MAIL, BUT CAUTIONED THAT "LAWYERS MUST ALWAYS ACT REASONABLY IN CHOOSING TO USE E-MAIL FOR CONFIDENTIAL COMMUNICATIONS." THE COMMITTEE ALSO WARNED THAT THE EXERCISE OF REASONABLE CARE MAY DIFFER FROM ONE CASE TO THE NEXT. ACCORDINGLY, WHEN A LAWYER IS ON NOTICE THAT THE CONFIDENTIAL INFORMATION BEING TRANSMITTED IS "OF SUCH AN EXTRAORDINARILY SENSITIVE NATURE THAT IT IS REASONABLE TO USE ONLY A MEANS OF COMMUNICATION THAT IS COMPLETELY UNDER THE LAWYER'S CONTROL, THE LAWYER MUST SELECT A MORE SECURE MEANS OF COMMUNICATION THAN UNENCRYPTED INTERNET E-MAIL." *SEE ALSO* RULE 1.6, CMT. 17 (A LAWYER "MUST TAKE REASONABLE PRECAUTIONS" TO PREVENT INFORMATION COMING INTO THE HANDS OF UNINTENDED RECIPIENTS WHEN TRANSMITTING INFORMATION RELATING TO THE REPRESENTATION, BUT IS NOT REQUIRED TO USE SPECIAL SECURITY MEASURES IF THE MEANS OF COMMUNICATING PROVIDES A REASONABLE EXPECTATION OF PRIVACY).

7. ETHICS ADVISORY OPINIONS IN SEVERAL OTHER STATES HAVE APPROVED THE USE OF ELECTRONIC STORAGE OF CLIENT FILES

PROVIDED THAT SUFFICIENT PRECAUTIONS ARE IN PLACE. *SEE, E.G.*, NEW JERSEY OPINION 701 (2006) (LAWYER MAY USE ELECTRONIC FILING SYSTEM WHEREBY ALL DOCUMENTS ARE SCANNED INTO A DIGITIZED FORMAT AND ENTRUSTED TO SOMEONE OUTSIDE THE FIRM PROVIDED THAT THE LAWYER EXERCISES "REASONABLE CARE," WHICH INCLUDES ENTRUSTING DOCUMENTS TO A THIRD PARTY WITH AN ENFORCEABLE OBLIGATION TO PRESERVE CONFIDENTIALITY AND SECURITY, AND EMPLOYING AVAILABLE TECHNOLOGY TO GUARD AGAINST REASONABLY FORESEEABLE ATTEMPTS TO INFILTRATE DATA); ARIZONA OPINION 05-04 (2005) (ELECTRONIC STORAGE OF CLIENT FILES IS PERMISSIBLE PROVIDED LAWYERS AND LAW FIRMS "TAKE COMPETENT AND REASONABLE STEPS TO ASSURE THAT THE CLIENT'S CONFIDENCES ARE NOT DISCLOSED TO THIRD PARTIES THROUGH THEFT OR INADVERTENCE"); *SEE ALSO* ARIZONA OPINION 09-04 (2009) (LAWYER MAY PROVIDE CLIENTS WITH AN ONLINE FILE STORAGE AND RETRIEVAL SYSTEM THAT CLIENTS MAY ACCESS, PROVIDED LAWYER TAKES REASONABLE PRECAUTIONS TO PROTECT SECURITY AND CONFIDENTIALITY AND LAWYER PERIODICALLY REVIEWS SECURITY MEASURES AS TECHNOLOGY ADVANCES OVER TIME TO ENSURE THAT THE CONFIDENTIALITY OF CLIENT INFORMATION REMAINS REASONABLY PROTECTED).

8. BECAUSE THE INQUIRING LAWYER WILL USE THE ONLINE DATA STORAGE SYSTEM FOR THE PURPOSE OF PRESERVING CLIENT INFORMATION - A PURPOSE BOTH RELATED TO THE RETENTION AND NECESSARY TO PROVIDING LEGAL SERVICES TO THE CLIENT - USING THE ONLINE SYSTEM IS CONSISTENT WITH CONDUCT THAT THIS COMMITTEE HAS DEEMED ETHICALLY PERMISSIBLE. *SEE* N.Y. STATE 473 (1977) (ABSENT CLIENT'S OBJECTION, LAWYER MAY PROVIDE CONFIDENTIAL INFORMATION TO OUTSIDE SERVICE AGENCY FOR LEGITIMATE PURPOSES RELATING TO THE REPRESENTATION PROVIDED THAT THE LAWYER EXERCISES CARE IN THE SELECTION OF THE AGENCY AND CAUTIONS THE AGENCY TO KEEP THE INFORMATION CONFIDENTIAL); *CF.* NY CPLR 4548 (PRIVILEGED COMMUNICATION DOES NOT LOSE ITS PRIVILEGED CHARACTER SOLELY BECAUSE IT IS COMMUNICATED BY ELECTRONIC MEANS OR BECAUSE "PERSONS NECESSARY FOR THE DELIVERY OR FACILITATION OF SUCH ELECTRONIC COMMUNICATION MAY HAVE ACCESS TO" ITS CONTENTS).

9. WE CONCLUDE THAT A LAWYER MAY USE AN ONLINE "CLOUD" COMPUTER DATA BACKUP SYSTEM TO STORE CLIENT FILES PROVIDED THAT THE LAWYER TAKES REASONABLE CARE TO ENSURE THAT THE SYSTEM IS SECURE AND THAT CLIENT CONFIDENTIALITY WILL BE MAINTAINED. "REASONABLE CARE" TO PROTECT A CLIENT'S CONFIDENTIAL INFORMATION AGAINST UNAUTHORIZED DISCLOSURE MAY INCLUDE CONSIDERATION OF THE FOLLOWING STEPS:

(1) ENSURING THAT THE ONLINE DATA STORAGE PROVIDER HAS AN ENFORCEABLE OBLIGATION TO PRESERVE CONFIDENTIALITY AND SECURITY, AND THAT THE PROVIDER WILL NOTIFY THE LAWYER IF SERVED WITH PROCESS REQUIRING THE PRODUCTION OF CLIENT INFORMATION;

(2) INVESTIGATING THE ONLINE DATA STORAGE PROVIDER'S SECURITY MEASURES, POLICIES, RECOVERABILITY METHODS, AND OTHER PROCEDURES TO DETERMINE IF THEY ARE ADEQUATE UNDER THE CIRCUMSTANCES;

(3) EMPLOYING AVAILABLE TECHNOLOGY TO GUARD AGAINST REASONABLY FORESEEABLE ATTEMPTS TO INFILTRATE THE DATA THAT IS STORED; AND/OR

(4) INVESTIGATING THE STORAGE PROVIDER'S ABILITY TO PURGE AND WIPE ANY COPIES OF THE DATA, AND TO MOVE THE DATA TO A DIFFERENT HOST, IF THE LAWYER BECOMES DISSATISFIED WITH THE STORAGE PROVIDER OR FOR OTHER REASONS CHANGES STORAGE PROVIDERS.

10. TECHNOLOGY AND THE SECURITY OF STORED DATA ARE CHANGING RAPIDLY. EVEN AFTER TAKING SOME OR ALL OF THESE STEPS (OR SIMILAR STEPS), THEREFORE, THE LAWYER SHOULD PERIODICALLY RECONFIRM THAT THE PROVIDER'S SECURITY MEASURES REMAIN EFFECTIVE IN LIGHT OF ADVANCES IN TECHNOLOGY. IF THE LAWYER LEARNS INFORMATION SUGGESTING THAT THE SECURITY MEASURES USED BY THE ONLINE DATA STORAGE PROVIDER ARE INSUFFICIENT TO ADEQUATELY PROTECT THE CONFIDENTIALITY OF CLIENT INFORMATION, OR IF THE LAWYER LEARNS OF ANY BREACH OF CONFIDENTIALITY BY THE ONLINE STORAGE PROVIDER, THEN THE LAWYER MUST INVESTIGATE WHETHER THERE HAS BEEN ANY BREACH OF HIS OR HER OWN CLIENTS' CONFIDENTIAL INFORMATION, NOTIFY ANY AFFECTED CLIENTS, AND DISCONTINUE USE OF THE SERVICE UNLESS THE LAWYER RECEIVES ASSURANCES THAT ANY SECURITY ISSUES HAVE BEEN SUFFICIENTLY REMEDIATED. *SEE* RULE 1.4 (MANDATING COMMUNICATION WITH CLIENTS); *SEE ALSO* N.Y. STATE 820 (2008) (ADDRESSING WEB-BASED EMAIL SERVICES).

11. NOT ONLY TECHNOLOGY ITSELF BUT ALSO THE LAW RELATING TO TECHNOLOGY AND THE PROTECTION OF CONFIDENTIAL COMMUNICATIONS IS CHANGING RAPIDLY. LAWYERS USING ONLINE STORAGE SYSTEMS (AND ELECTRONIC MEANS OF COMMUNICATION GENERALLY) SHOULD MONITOR THESE LEGAL DEVELOPMENTS, ESPECIALLY REGARDING INSTANCES WHEN USING TECHNOLOGY MAY WAIVE AN OTHERWISE APPLICABLE PRIVILEGE. *SEE, E.G.*, *CITY OF ONTARIO, CALIF. V. QUON*, 130 S. CT. 2619, 177 L.ED.2D 216 (2010) (HOLDING THAT CITY DID NOT VIOLATE FOURTH AMENDMENT WHEN IT REVIEWED TRANSCRIPTS OF MESSAGES SENT AND RECEIVED BY POLICE OFFICERS ON POLICE DEPARTMENT PAGERS); *SCOTT V. BETH ISRAEL MEDICAL CENTER*, 17 MISC. 3D 934, 847 N.Y.S.2D 436 (N.Y. SUP. 2007) (E-MAILS BETWEEN HOSPITAL EMPLOYEE AND HIS PERSONAL ATTORNEYS WERE NOT PRIVILEGED BECAUSE EMPLOYER'S POLICY REGARDING COMPUTER USE AND E-MAIL MONITORING STATED THAT EMPLOYEES HAD NO REASONABLE EXPECTATION OF PRIVACY IN E-MAILS SENT OVER THE EMPLOYER'S E-MAIL SERVER). *BUT SEE STENGART V. LOVING CARE AGENCY, INC.*, 201 N.J. 300, 990 A.2D 650 (2010) (DESPITE EMPLOYER'S E-MAIL POLICY STATING THAT COMPANY HAD RIGHT TO REVIEW AND DISCLOSE ALL INFORMATION ON "THE COMPANY'S MEDIA SYSTEMS AND SERVICES" AND THAT E-MAILS WERE

"NOT TO BE CONSIDERED PRIVATE OR PERSONAL" TO ANY EMPLOYEES, COMPANY VIOLATED EMPLOYEE'S ATTORNEY-CLIENT PRIVILEGE BY REVIEWING E-MAILS SENT TO EMPLOYEE'S PERSONAL ATTORNEY ON EMPLOYER'S LAPTOP THROUGH EMPLOYEE'S PERSONAL, PASSWORD-PROTECTED E-MAIL ACCOUNT).

12. THIS COMMITTEE'S PRIOR OPINIONS HAVE ADDRESSED THE DISCLOSURE OF CONFIDENTIAL INFORMATION IN METADATA AND THE PERILS OF PRACTICING LAW OVER THE INTERNET. WE HAVE NOTED IN THOSE OPINIONS THAT THE DUTY TO "EXERCISE REASONABLE CARE" TO PREVENT DISCLOSURE OF CONFIDENTIAL INFORMATION "MAY, IN SOME CIRCUMSTANCES, CALL FOR THE LAWYER TO STAY ABREAST OF TECHNOLOGICAL ADVANCES AND THE POTENTIAL RISKS" IN TRANSMITTING INFORMATION ELECTRONICALLY. N.Y. STATE 782 (2004), *CITING* N.Y. STATE 709 (1998) (WHEN CONDUCTING TRADEMARK PRACTICE OVER THE INTERNET, LAWYER HAD DUTY TO "STAY ABREAST OF THIS EVOLVING TECHNOLOGY TO ASSESS ANY CHANGES IN THE LIKELIHOOD OF INTERCEPTION AS WELL AS THE AVAILABILITY OF IMPROVED TECHNOLOGIES THAT MAY REDUCE SUCH RISKS AT REASONABLE COST"); *SEE ALSO* N.Y. STATE 820 (2008) (SAME IN CONTEXT OF USING E-MAIL SERVICE PROVIDER THAT SCANS E-MAILS TO GENERATE COMPUTER ADVERTISING). THE SAME DUTY TO STAY CURRENT WITH THE TECHNOLOGICAL ADVANCES APPLIES TO A LAWYER'S CONTEMPLATED USE OF AN ONLINE DATA STORAGE SYSTEM.

CONCLUSION

13. A LAWYER MAY USE AN ONLINE DATA STORAGE SYSTEM TO STORE AND BACK UP CLIENT CONFIDENTIAL INFORMATION PROVIDED THAT THE LAWYER TAKES REASONABLE CARE TO ENSURE THAT CONFIDENTIALITY IS MAINTAINED IN A MANNER CONSISTENT WITH THE LAWYER'S OBLIGATIONS UNDER RULE 1.6. A LAWYER USING AN ONLINE STORAGE PROVIDER SHOULD TAKE REASONABLE CARE TO PROTECT CONFIDENTIAL INFORMATION, AND SHOULD EXERCISE REASONABLE CARE TO PREVENT OTHERS WHOSE SERVICES ARE UTILIZED BY THE LAWYER FROM DISCLOSING OR USING CONFIDENTIAL INFORMATION OF A CLIENT. IN ADDITION, THE LAWYER SHOULD STAY ABREAST OF TECHNOLOGICAL ADVANCES TO ENSURE THAT THE STORAGE SYSTEM REMAINS SUFFICIENTLY ADVANCED TO PROTECT THE CLIENT'S INFORMATION, AND THE LAWYER SHOULD MONITOR THE CHANGING LAW

OF PRIVILEGE TO ENSURE THAT STORING INFORMATION IN THE "CLOUD" WILL NOT WAIVE OR JEOPARDIZE ANY PRIVILEGE PROTECTING THE INFORMATION.

(75-09)

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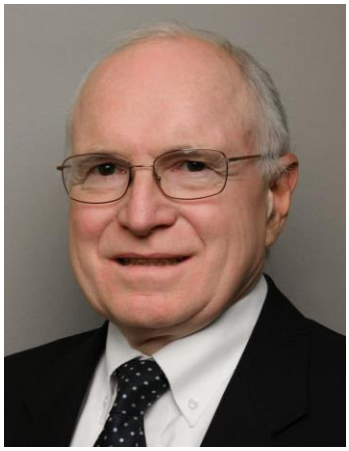
Patrick Murphy III

Patrick J. Murphy III, Esq. has been assisting nationally and internationally renowned ADR Neutrals manage and resolve complex disputes since 2013.

Prior to his career in ADR, Mr. Murphy spent more than half-a-decade serving in various capacities within the United States District Court for the District of New Jersey, including more than three years as the senior law clerk to current JAMS Neutral the Hon. Garrett E. Brown, Jr. (Ret.), then-Chief Judge. Thereafter, Mr. Murphy was associated with the New Jersey-based law firm Connell Foley LLP, where his practice exclusively focused upon complex litigation pending in the District of New Jersey, including numerous intellectual property matters — one of which, for example, resulted in an important verdict for a branded pharmaceutical client in a Hatch-Waxman case following a lengthy bench-trial.

In all of those roles, Mr. Murphy has often been lauded for his versatility; namely, his ability to effectively manage cases of varying sizes and complexities that present wide ranges of substantive and procedural issues. Mr. Murphy is also regarded as a uniquely talented and highly efficient legal writer. That versatility and tapestry of experience has provided Mr. Murphy with a diverse, yet focused skill-set that he brings to bear in the realms of arbitration, mediation, special mastership and neutral case analysis.
Mr. Murphy is a graduate of Washington & Lee University, and Seton Hall University School of Law.



Hon. Garrett Brown, Jr. (Ret.)
Neutral
JAMS The Resolution Experts

Retired Chief Judge Garrett E. Brown, Jr. joined JAMS in 2012, after serving more than a quarter-century on the bench of the United States District Court for the District of New Jersey — including six years as Chief Judge. As a JAMS Neutral, Judge Brown facilitates prompt, efficient, and economical resolution of commercial disputes through mediation, arbitration, special mastership and neutral analysis.

Before taking the federal bench in 1985, Judge Brown tried criminal and civil cases to jury verdicts as both an Assistant United States Attorney in the District of New Jersey, and as a litigator in private practice. As a United States District Judge, he presided over criminal and civil cases, which collectively spanned the breadth of federal subject-matter jurisdiction. Chief Judge Brown is renowned for his expertise in complex commercial litigation, particularly with-in the realm of intellectual property, and notably pharmaceutical patents.

During his service as Chief Judge, in addition to leading a large metropolitan court with more than three-dozen judicial officers, Judge Brown maintained a full civil caseload, assisted other judges with complex cases, and tried numerous cases per year while settling many, many more.

Chief Judge Brown is a graduate of Lafayette College and Duke University School of Law.

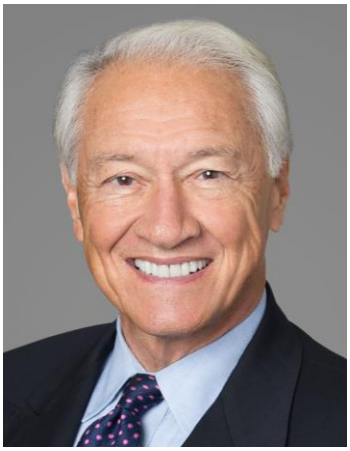
Hon. John Lifland (Ret.)
Neutral
JAMS The Resolution Experts

The Hon. John C. Lifland (Ret.) is a retired United States District Judge for the District of New Jersey. He was appointed by President Ronald Reagan in 1988 and served until 2017. His docket included an array of patent, trademark, copyright and other intellectual property is-sues.

During his last several years serving on the federal bench, the cases he presided over were mostly civil with an emphasis on intellectual property. Judge Lifland managed such cas-es to settlement or judgment, and his decisions included resolving challenges to validity and enforceability of patents on various brand-name drugs by generic drug manufacturers, ques-tions of infringement in such cases and questions of patent validity, infringement, and damages in other varied contexts. His work also included evaluating infringement issues in trademark and copyright cases.

Since leaving the federal bench and joining JAMS, Judge Lifland has extensive experi-ence as a mediator and arbitrator, as well as participating in neutral evaluations for parties to upcoming or current disputes. He has served as sole arbitrator and as a member or chair of ar-bitration panels in many patent-related disputes.

Judge Lifland is a graduate of Yale University and Harvard Law School. He is also a founder of the John C. Lifland Inn of Court, a New Jersey-based Inn which focuses on intellec-tual property and federal litigation issues.



Thomas Creel
Neutral
JAMS The Resolution Experts

Thomas L. Creel has served as an arbitrator specializing in intellectual property and technology disputes for more than 30 years. Mr. Creel is widely recognized for his expertise in resolving complex patent disputes and has handled scores of proceedings concerning a broad range of technologies, including biotechnology, computer technology, medical devices, electronics and chemistry. He has been appointed as an arbitrator by the ICC, AAA/ICDR, CPR, WIPO and other domestic and international arbitral institutions.

He currently is a neutral with JAMS. Previously, Mr. Creel was head of the Intellectual Property Litigation Practice Area as a partner at Goodwin Procter LLP, co-chair of the Patent Litigation Practice at Kaye Scholer Fierman Hayes and Handler and a senior litigation partner at Kenyon & Kenyon. He has litigated intellectual property matters in courts throughout the United States and before the International Trade Commission.

He is author of the treatise "Patent Claim Construction and Markman Hearings," a seminal treatise in the arena of patent litigation that was first published in 2013 by the Practising Law Institute (PLI) and is updated yearly by Mr. Creel. He co-taught the patents and trade secrets course at Columbia University School of Law for almost 20 years. He is a past president of the New York Intellectual Property Law Association

He is admitted to the bars of the U.S. Patent and Trademark Office, New York and Michigan, various U.S. District and Appeals Courts and the U.S. Supreme Court.

He obtained his law degree from the University of Michigan Law School and his engineering degree from the University of Kansas.

Benoit Quarmby
Partner
MoloLamken LLP

Benoit Quarmby is partner with the litigation boutique of MoloLamken LLP. He practices out of the firm's New York office.

Mr. Quarmby's practice focuses on business disputes and intellectual property litigation. He has represented clients as lead counsel in federal and state trial courts, the International Trade Commission, federal courts of appeals, the United States Patent & Trademark Office, and in arbitration.

Mr. Quarmby represents both plaintiffs and defendants in cases around the country. His clients include U.S. corporations, individuals, and family offices, as well as many foreign companies, particularly from Japan and France.

Mr. Quarmby is an active member of the Japan Society, the French-American Bar Association (FABA), the New York Intellectual Property Law Association (NYIPLA), the International Trademark Association (INTA), the Association des Praticiens du Droit des Marques et des Modèles (APRAM), the American IP Law Association (AIPLA), and the Conner IP Inn of Court.

Mr. Quarmby frequently publishes on topics including patent, trademark and trade secret law, the General Data Protection Regulation (GDPR), shareholder appraisal rights, artificial intelligence, social media, and privacy. He is also a frequent speaker on issues such as third-party litigation funding, developments in patent, trademark and copyright law, and international arbitration.

Prior to joining MoloLamken LLP, Mr. Quarmby practiced business and IP litigation with the law firm of Quinn Emanuel Urquhart & Sullivan. He also clerked for the Honorable Garrett E. Brown, Jr., Chief Judge for the District of New Jersey. Mr. Quarmby is admitted to the United States Patent and Trademark Office.

Lynn Russo
Associate
Hughes Hubbard & Reed LLP

Lynn M. Russo, Ph.D., is an associate in Hughes Hubbard & Reed's Intellectual Property practice. She has extensive experience in preparation and prosecution of patent applications, as well as in litigation and arbitration.

Lynn also has experience in invalidity and non-infringement opinions, due diligence, portfolio management and client counseling in areas including:

- antibodies/proteins
- medical devices
- next-generation sequencing technologies
- cancer biology/immunology/vaccine/stem cell research
- microbiology/biofuel production
- industrial processes and plants/foods and food supplements
- pharmaceuticals/small molecules
- biologically implantable microchip devices
- diagnostics/microarray technologies/biological assay multiwell cartridges

Prior to joining Hughes Hubbard, Lynn worked at both large general practice and intellectual property boutique law firms. During Lynn's graduate studies, she identified and characterized novel genes involved in nervous system development and neurodegeneration.

New York Intellectual Property Law Association
Patent CLE Seminar
November 15, 2018

Panel Discussion Overview: "The Pros and Potential Cons of Arbitrating Patent Disputes"

Moderator:
Patrick J. Murphy III, Esq.

Panelists:
Hon. Garrett E. Brown, Jr. (Ret.)
Hon. John C. Lifland (Ret.)
Thomas Creel, Esq.
Benoit Quarmby, Esq.
Lynn Russo, Esq.

I. Introduction

- Brief introduction of the Panelists, including biographical highlights, current professional affiliations, and patent-specific credentials.
- Explanation of the Panel's objective: to discuss the advantages of arbitrating versus litigating patent disputes, with corresponding reference to potential disadvantages, and discussion of certain ethical considerations.

II. Advantages of Arbitration

- Control

    - By negotiating an arbitration agreement or contractual arbitration clause (most often prior to the existence of any dispute), parties have the ability to determine myriad critical elements of how any eventual dispute will be resolved, such as: (i) selection of the arbitrator(s) (e.g., sole or panel, independent or party appointed, requisite professional credentials or experience); (ii) what ADR organization, if any, will administer the arbitration (e.g., JAMS, the American Arbitration Association, the International Centre for Dispute Resolution, the International Chamber of Commerce); (iii) what procedural rules and substantive law will be applied; (iv) the arbitral venue or forum; perhaps (v) the precise scope of issues the arbitrator will resolve, and relief the arbitrator is empowered to grant; and perhaps (vi) election of post-arbitration award review procedures (i.e., affirmative election of the ADR organization's internal appellate processes, if any).

        - Critical importance of forethought and circumspection when drafting agreements and/or contractual arbitration clauses – avoiding use of stock language/clauses in favor of customization.

    - Critical importance of thorough due diligence when considering sole arbitrators and/or arbitration panelists.

- Specifically consider: 35 US.C. § 294, that authorizes voluntary arbitration of patent disputes.

- Further consider: (i) the existence of different ADR organizations; (ii) the adoption of different procedural rules by those ADR organizations, such as generalized commercial arbitration rules, expedited arbitration rules, and specialized arbitration rules for specific types of disputes (e.g., international, employment, construction); and (iii) the potential advantages of selecting specific rules and/or expedited rules based upon the nature of a potential dispute, and the presumptively mutual desire to achieve a prompt and efficient resolution thereof.

- <u>Confidentiality</u>

    - Parties generally can agree to maintain confidentiality in arbitration, including relative to: (i) the nature of the dispute itself; (ii) their arguments; (iii) discovery and evidence; (iv) proceedings before the arbitrator, whether in the context of motion practice or during the arbitration hearing; and (v) the outcome of the arbitration, including any monetary or injunctive relief granted.

    - Contrast with: (i) the inherently public nature of litigation in Court; (ii) the parties' limited ability to seal elements of the record, generally following time-consuming motion practice; and (iii) the virtually inevitable publication of decisions, jury verdicts, and relief granted.

    - However, specifically consider: the reporting requirements of 35 U.S.C. § 294 with respect to arbitration awards that impact upon patents.

    - *Ethical Issue*: Arbitration is most often a strictly confidential forum, and is made so pursuant to, among other things: (i) the parties' arbitration agreement or contractual arbitration clause; (ii) the ADR-provider's procedural rules and/or standing contractual requirements; and (iii) the discovery confidentiality order entered by the arbitrator. Therefore, breach of that confidentiality not only sounds in contract, but may also implicate counsel's ethical obligations as a practitioner.

- <u>Efficiency: Economic & Temporal</u>

    - Especially within the realm of patent disputes, arbitration has the potential to be highly efficient with respect to both time and cost. Those efficiencies can most readily be achieved in four primary areas:

        - *Discovery*: Discovery predominates patent litigation in federal court, and often represents the lengthiest and costliest discrete component of the litigation continuum. Arbitration can reduce both time and expense by, among other

things: (i) utilizing procedural rules that limit the scope of discovery, establish firm deadlines, and vest the arbitrator with discretionary authority to limit discovery; and/or (ii) the parties' preemptive agreement to limit the scope of discovery, either in their arbitration agreement or contractual clauses, or by a negotiated agreement after an arbitration has commenced (e.g., through a circumscribed discovery plan).

- *Pre-Hearing Practice*: Where one or both parties seeks to pursue dispositive motion practice (i.e., a motion to dismiss, a motion for summary judgment, or a hybrid of the two), most procedural rules grant the arbitrator discretionary authority to decide if and when such motions will be filed, what those motions will address, and what form those motions will take (such as limitations on pages and whether exhibits will be submitted).

    - NOTE: The prevailing view in complex commercial arbitration is that dispositive motion practice should be discouraged and curtailed if not entirely disallowed.
    - NOTE: That in the unusual scenario where pre-hearing injunctive relief must be addressed, the arbitrator can expedite consideration of that issue with input from the parties regarding structure and scheduling.
    - NOTE: The potential for mediation. At times, parties request during the pre-hearing phase of an arbitration (or possibly later) that the arbitrator mediate their dispute.

- *The Hearing*: An arbitration hearing is nearly always scheduled by the arbitrator based upon mutual availability; and thus, to a large extent, the parties can influence or even dictate its scheduling and duration. Additionally, the structure of an arbitration hearing is often fluid due to the absence of a jury and the formalisms of trial practice. Because of those factors, evidentiary disputes are generally reduced if not eliminated (particularly with regard to relevance, hearsay and Daubert-type objections), many components of the evidentiary record can be stipulated, and the hearing can be structured so that contested evidence is introduced in the most convenient and efficient manner – for instance, by: (i) submitting direct testimony in written format and limiting live testimony to cross-examination; (ii) taking witnesses out of turn to facilitate professional obligations and travel schedules (particularly for experts, high-ranking corporate personnel, or fact-witnesses whose testimony is brief and targeted); and (iii) calling witnesses only once when they are scheduled to be questioned by both (or multiple) parties.

- *The Award*: The parties can choose the form and timing of an arbitrator's award. With regard to form: on the one hand, the parties can request that an arbitrator issue a detailed reasoned award similar to the Findings of Fact and Conclusions of Law issued by a federal court following a bench trial; on the other hand, the parties can request a less detailed award – including, at the extreme end of that spectrum, a simple verdict sheet. With regard to timing,

most procedural rules establish relatively short deadlines pursuant to which the arbitrator must issue an award, which can of course be adjusted with the parties' consent.

- Finality

  - Arbitration awards presumptively represent the final resolution of a dispute, and as such, the grounds upon which Courts will vacate an arbitration award are exceedingly narrow. That finality is beneficial on several levels:

    - In most instances, parties avoid the cost and uncertainty of post-trial motion practice and appellate litigation.

    - Perhaps more importantly – and particularly relevant within the context of patent disputes – where the parties are engaged in a long-term, otherwise gainful commercial relationship, the finality of arbitration allows them to move forward without the specter of litigation potentially impeding their future collaboration.

    - However, consider: (i) the occurrence of subsequent efforts to vacate an arbitration award, and why that might be pursued – such as for strategic reasons (i.e., increasing costs and/or generating post-award settlement leverage), or simply to vex another party by prolonging the dispute resolution process; and relatedly (ii) the potential advisability of internal ADR-provider post-award review procedures.

III. Potential Disadvantages of Arbitration

- Inefficiency, Expense, Delay and Prolixity

  - In a word, the contra of all the potential advantages noted above. At bottom, the potential efficiencies of arbitration can only be fully realized – or sometimes realized at all – when all parties are committed to that outcome. Therefore, where one or all parties insist upon extensive discovery (particularly ESI and fact-witness depositions), pre-hearing dispositive motion practice, an extensive hearing, and the issuance of a detailed reasoned award, much if not all of the temporal and economic efficiencies that arbitration can provide are undermined.

  - That is particularly true in the realm of patent disputes, where the extant litigation culture arguably establishes the paradigm (i.e., lengthy, costly, and generally inefficient proceedings with the expectation of appellate practice).

  - Specifically, certain depilatory tactics drawn from complex litigation in Court can potentially be leveraged in arbitration for strategic purposes. Some examples are:

    - *Injunctive Relief*: By preemptively seeking injunctive or emergent relief from a Court relative to an otherwise arbitrable dispute, one party may be able to

undermine the arbitration process by causing delay, potentially publicizing a dispute that otherwise would likely be confidential, and generating avoidable litigation costs.

- *Discovery*: By seeking extensive discovery (particularly expansive ESI and fact-witness depositions), one party may be able to significantly increase the time and expense associated with arbitration. This is particularly true in the realm of non-party discovery, where an arbitrator's ability to compel compliance is more limited. On that point, while an arbitrator theoretically has broad authority to issue subpoenas for non-party discovery pursuant to state, federal and at times international law, the arbitrator has little or no authority to enforce those subpoenas in practice. Rather, the party seeking discovery is often required to pursue enforcement in a Court of appropriate jurisdiction. That process takes time, increases expense, and the ultimate outcome is uncertain. Thus, while ideally efficient and economical, discovery in arbitration can at times yield the opposite result – proceedings that are no more efficient than litigation in Court, and sometimes even less so.

- *Pre-Hearing Practice*: Dispositive motion practice is disfavored in arbitration based upon the elemental theory that a prompt and efficient hearing is more expeditious, cost effective, and efficacious than piecemeal issue resolution. However, within the context of litigation, it is not uncommon for dispositive motion practice as of procedural right to achieve the same economic and temporal efficiencies that theoretically impel arbitration. Thus, in certain instances, to the extent dispositive motion practice is significantly limited or foreclosed by an arbitrator, the result can be proceedings that are less efficient than litigation in Court.

IV. Ethical Considerations

- <u>Neutral versus Non-Neutral Arbitrators</u>

  - Arbitrators are ordinarily required to be impartial and unbiased in both fact and appearance. Indeed, that unbiased impartiality is essential to the integrity of most arbitrations. As such, ethical canons that codify those concepts – along with other fundamental ethical considerations – have been promulgated by most if not all ADR organizations.

  - However, in keeping with the quintessentially contractual nature of arbitration, parties may choose to appoint non-neutral arbitrators. Typically, those arbitrations involve three-arbitrator panels, with each party selecting one non-neutral arbitrator, and a third neutral arbitrator selected to serve as the arbitration panel chair pursuant to a protocol upon which the parties have agreed (often with the non-neutral arbitrators selecting the neutral arbitrator). Acknowledging that contingency, the ethical cannons of some ADR organizations – specifically including JAMS and the American Arbitration Association – have established specific provisions that are applicable to non-neutral arbitrators.

(See JAMS Ethics Guidelines at Canon X; AAA Code of Ethics at Canon X). Examples of important ethical considerations and distinctions contemplated by both the JAMS and the AAA ethical canons are as follows:

- A non-neutral arbitrator has an affirmative obligation to ensure that all parties understand their non-neutral status.

- While non-neutral arbitrators generally remain subject to the same disclosure requirements that are applicable to neutral arbitrators, a non-neutral arbitrator is not required to withdraw based solely upon the objection of a non-appointing party.

- A non-neutral arbitrator is affirmatively authorized to be "predisposed" towards the Party that appointed them – however, in all other respects, the non-neutral arbitrator is required to act in good faith, with fairness and integrity.

- While neutral arbitrators are generally barred from ex parte communications with the parties, non-neutral arbitrators are generally permitted to engage in ex parte communications with their appointing party, subject to disclosure requirements and other restrictions.

- And of course, a non-neutral arbitrator is subject to all ethical canons that are not expressly abrogated in the event of a non-neutral appointment.

Index of Materials for Arbitration of Patent Disputes

Doc. No.	Description
1	JAMS Comprehensive Arbitration Rules & Procedures (Effective July 1, 2014)
2	American Arbitration Association Commercial Arbitration Rules and Mediation Procedures (Amended and Effective October 1, 2013)
3	35 U.S.C. § 294
4	JAMS Discovery Protocols (Effective January 6, 2010)
5	Peter L. Michaelson, *Patent Arbitration, It Still Makes Good Sense*, 7 Landslide, No. 6, 2015.
6	Robert B. Davidson & Cliff Bloomfield, *Interim and Emergency Measures in International Commercial Arbitration: Time to Say Goodbye to Irreparable Harm and Likelihood of Success on the Merits?*, 259 New York Law Journal, No. 27, Feb. 8, 2018.
7	Jane Michaels, *Effective Advocacy in Arbitration*, 47 Colorado Lawyer, No. 26, April 2018
8	JAMS Ethics Guidelines
9	American Arbitration Association Code of Ethics for Arbitrators in Commercial Disputes (Effective March 1, 2004).

The above materials can be found online at:
www.nyipla.org/assnfe/ev.asp?ID=242

Doc. No. 1

JAMS Comprehensive Arbitration Rules & Procedures

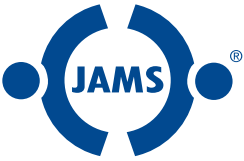
Effective July 1, 2014

JAMS COMPREHENSIVE ARBITRATION RULES & PROCEDURES

JAMS provides arbitration and mediation services worldwide. We resolve some of the world's largest, most complex and contentious disputes, utilizing JAMS Rules & Procedures as well as the rules of other domestic and international arbitral institutions.

JAMS arbitrators and mediators are full-time neutrals who come from the ranks of retired state and federal judges and prominent attorneys. These highly trained, experienced ADR professionals are dedicated to the highest ethical standards of conduct.

Parties wishing to write a pre-dispute JAMS arbitration clause into their agreement should review the sample arbitration clauses on pages 4 and 5. These clauses may be modified to tailor the arbitration process to meet the parties' individual needs.



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Standard Arbitration Clauses Referring to the JAMS Comprehensive Arbitration Rules

JAMS Comprehensive Arbitration Rules & Procedures

Administrative Fees

For two-party matters, JAMS charges a $1,500 Filing Fee, to be paid by the party initiating the Arbitration. JAMS also charges a $1,500 Filing Fee for counterclaims. For matters involving three or more parties, the Filing Fee is $2,000. A Case Management Fee of 12% will be assessed against all Professional Fees, including time spent for hearings, pre- and post-hearing reading and research and award preparation.

JAMS neutrals set their own hourly, partial and full-day rates. For information on individual neutrals' rates and the administrative fees, please contact JAMS at 800.352.5267. The fee structure is subject to change.

Standard Arbitration Clauses Referring to the JAMS Comprehensive Arbitration Rules

Standard Commercial Arbitration Clause*

Any dispute, claim or controversy arising out of or relating to this Agreement or the breach, termination, enforcement, interpretation or validity thereof, including the determination of the scope or applicability of this agreement to arbitrate, shall be determined by arbitration in (insert the desired place of arbitration), before (one) (three) arbitrator(s). The arbitration shall be administered by JAMS pursuant to its Comprehensive Arbitration Rules & Procedures (Streamlined Arbitration Rules & Procedures). Judgment on the Award may be entered in any court having jurisdiction. This clause shall not preclude parties from seeking provisional remedies in aid of arbitration from a court of appropriate jurisdiction.

(Optional) Allocation of Fees and Costs: The arbitrator may, in the Award, allocate all or part of the costs of the arbitration, including the fees of the arbitrator and the reasonable attorneys' fees of the prevailing party.

(Optional) Expedited Procedures: The parties agree that the Expedited Procedures set forth in JAMS Comprehensive Rules 16.1 and 16.2 shall be employed.

Sometimes contracting parties may want their agreement to allow a choice of provider organizations (JAMS being one) that can be used if a dispute arises. The following clause permits a choice between JAMS and another provider organization at the option of the first party to file the arbitration.

Standard Commercial Arbitration Clause Naming JAMS or Another Provider*

Any dispute, claim or controversy arising out of or relating to this Agreement or the breach, termination, enforcement, interpretation or validity thereof, including the determination of the scope or applicability of this agreement to arbitrate, shall be determined by arbitration in (insert the desired place of arbitration), before (one) (three) arbitrator(s). At the option of the first party to file an arbitration, the arbitration shall be

administered either by JAMS pursuant to its (Comprehensive Arbitration Rules & Procedures) (Streamlined Arbitration Rules & Procedures), or by (name an alternate provider) pursuant to its (identify the rules that will govern). Judgment on the Award may be entered in any court having jurisdiction. This clause shall not preclude parties from seeking provisional remedies in aid of arbitration from a court of appropriate jurisdiction.

(Optional) Allocation of Fees and Costs: The arbitrator may, in the Award, allocate all or part of the costs of the arbitration, including the fees of the arbitrator and the reasonable attorneys' fees of the prevailing party.

(Optional) Expedited Procedures: The parties agree that the Expedited Procedures set forth in JAMS Comprehensive Rules 16.1 and 16.2 shall be employed.

*The drafter should select the desired option from those provided in the parentheses.

Optional Expedited Procedures

JAMS offers optional Expedited Arbitration Procedures, whereby parties can choose a process that limits depositions, document requests and e-discovery. When parties utilizing JAMS Comprehensive Arbitration Rules elect to use these procedures, they agree to the voluntary and informal exchange of all non-privileged documents and other information relevant to the dispute. See Comprehensive Rules 16.1 and 16.2.

Streamlined Rules

JAMS provides clients with the option to select a simplified arbitration process for those cases where the claims and counterclaims are less than $250,000. JAMS Streamlined Arbitration Rules & Procedures are designed to minimize the arbitration costs associated with these cases while providing a full and fair hearing for all parties.

All of the JAMS Rules, including the Comprehensive Arbitration Rules set forth below, can be accessed at the JAMS website: **www.jamsadr.com/rules-clauses.**

JAMS COMPREHENSIVE ARBITRATION RULES & PROCEDURES

NOTICE: These Rules are the copyrighted property of JAMS. They cannot be copied, reprinted or used in any way without permission of JAMS, unless they are being used by the parties to an arbitration as the rules for that arbitration. If they are being used as the rules for an arbitration, proper attribution must be given to JAMS. If you wish to obtain permission to use our copyrighted materials, please contact JAMS at 949.224.1810.

Rule 1. Scope of Rules

(a) The JAMS Comprehensive Arbitration Rules and Procedures ("Rules") govern binding Arbitrations of disputes or claims that are administered by JAMS and in which the Parties agree to use these Rules or, in the absence of such agreement, any disputed claim or counterclaim that exceeds $250,000, not including interest or attorneys' fees, unless other Rules are prescribed.

(b) The Parties shall be deemed to have made these Rules a part of their Arbitration agreement ("Agreement") whenever they have provided for Arbitration by JAMS under its Comprehensive Rules or for Arbitration by JAMS without specifying any particular JAMS Rules and the disputes or claims meet the criteria of the first paragraph of this Rule.

(c) The authority and duties of JAMS as prescribed in the Agreement of the Parties and in these Rules shall be carried out by the JAMS National Arbitration Committee ("NAC") or the office of JAMS General Counsel or their designees.

(d) JAMS may, in its discretion, assign the administration of an Arbitration to any of its Resolution Centers.

(e) The term "Party" as used in these Rules includes Parties to the Arbitration and their counsel or representatives.

(f) "Electronic filing" (e-file) means the electronic transmission of documents to and from JAMS and other Parties for the purpose of filing via the Internet. "Electronic service" (e-service) means the electronic transmission of documents via JAMS Electronic Filing System to a Party, attorney or representative under these Rules.

Rule 2. Party Self-Determination and Emergency Relief Procedures

(a) The Parties may agree on any procedures not specified herein or in lieu of these Rules that are consistent with the applicable law and JAMS policies (including, without limitation, Rules 15(i), 30 and 31). The Parties shall promptly notify JAMS of any such Party-agreed procedures and shall confirm such procedures in writing. The Party-agreed procedures shall be enforceable as if contained in these Rules.

(b) When an Arbitration Agreement provides that the Arbitration will be non-administered or administered by an entity other than JAMS and/or conducted in accordance with rules other than JAMS Rules, the Parties may subsequently agree to modify that Agreement to provide that the Arbitration will be administered by JAMS and/or conducted in accordance with JAMS Rules.

(c) Emergency Relief Procedures. These Emergency Relief Procedures are available in Arbitrations filed and served after July 1, 2014, and where not otherwise prohibited by law. Parties may agree to opt out of these Procedures in their Arbitration Agreement or by subsequent written agreement.

(i) A Party in need of emergency relief prior to the appointment of an Arbitrator may notify JAMS and all other Parties in writing of the relief sought and the basis for an Award of such relief. This Notice shall include an explanation of why such relief is needed on an expedited basis. Such Notice shall be given by facsimile, email or personal delivery. The Notice must include a statement certifying that all other Parties have been notified. If all other Parties have not been notified, the Notice shall include an explanation of the efforts made to notify such Parties.

(ii) JAMS shall promptly appoint an Emergency Arbitrator to rule on the emergency request. In most cases the appointment of an Emergency Arbitrator will be done within 24 hours of receipt of the request. The Emergency Arbitrator shall promptly disclose any circumstance likely, on the basis disclosed in the application, to affect the Arbitrator's ability to be impartial or independent. Any challenge to the appointment of the Emergency Arbitrator shall be made within 24 hours of the disclosures by the Emergency Arbitrator. JAMS will promptly review and decide any such challenge. JAMS' decision will be final.

(iii) Within two business days, or as soon as practicable thereafter, the Emergency Arbitrator shall establish a schedule for the consideration of the request for emergency relief. The schedule shall provide a reasonable opportunity for all Parties to be heard taking into account the nature of the relief sought. The Emergency Arbitrator has the authority to rule on his or her own jurisdiction and shall resolve any disputes with respect to the request for emergency relief.

(iv) The Emergency Arbitrator shall determine whether the Party seeking emergency relief has shown that immediate and irreparable loss or damage will result in the absence of emergency relief and whether the requesting Party is entitled to such relief. The Emergency Arbitrator shall enter an order or Award granting or denying the relief, as the case may be, and stating the reasons therefor.

(v) Any request to modify the Emergency Arbitrator's order or Award must be based on changed circumstances and may be made to the Emergency Arbitrator until such time as an Arbitrator or Arbitrators are appointed in accordance with the Parties' Agreement and JAMS' usual procedures. Thereafter, any request related to the relief granted or denied by the Emergency Arbitrator shall be determined by the Arbitrator(s) appointed in accordance with the Parties' Agreement and JAMS' usual procedures.

(vi) At the Emergency Arbitrator's discretion, any interim Award of emergency relief may be conditioned on the provision of adequate security by the Party seeking such relief.

Rule 3. Amendment of Rules

JAMS may amend these Rules without notice. The Rules in effect on the date of the commencement of an Arbitration (as defined in Rule 5) shall apply to that Arbitration, unless the Parties have agreed upon another version of the Rules.

Rule 4. Conflict with Law

If any of these Rules, or modification of these Rules agreed to by the Parties, is determined to be in conflict with a provision of applicable law, the provision of law will govern over the Rule in conflict, and no other Rule will be affected.

Rule 5. Commencing an Arbitration

(a) The Arbitration is deemed commenced when JAMS issues a Commencement Letter based upon the existence of one of the following:

(i) A post-dispute Arbitration Agreement fully executed by all Parties specifying JAMS administration or use of any JAMS Rules; or

(ii) A pre-dispute written contractual provision requiring the Parties to arbitrate the dispute or claim and specifying JAMS administration or use of any JAMS Rules or that the Parties agree shall be administered by JAMS; or

(iii) A written confirmation of an oral agreement of all Parties to participate in an Arbitration administered by JAMS or conducted pursuant to any JAMS Rules; or

(iv) The Respondent's failure to timely object to JAMS administration; or

(v) A copy of a court order compelling Arbitration at JAMS.

(b) The issuance of the Commencement Letter confirms that requirements for commencement have been met, that JAMS has received all payments required under the applicable fee schedule and that the Claimant has provided JAMS with contact information for all Parties along with evidence that the Demand for Arbitration has been served on all Parties.

(c) If a Party that is obligated to arbitrate in accordance with subparagraph (a) of this Rule fails to agree to participate in the Arbitration process, JAMS shall confirm in writing that Party's failure to respond or participate, and, pursuant to Rule 22(j), the Arbitrator, once appointed, shall schedule, and provide appropriate notice of, a Hearing or other opportunity for the Party demanding the Arbitration to demonstrate its entitlement to relief.

(d) The date of commencement of the Arbitration is the date of the Commencement Letter but is not intended to be applicable to any legal requirements such as the statute of limitations, any contractual limitations period or claims notice requirements. The term "commencement," as used in this Rule, is intended only to pertain to the operation of this and other Rules (such as Rules 3, 13(a), 17(a) and 31(a)).

Rule 6. Preliminary and Administrative Matters

(a) JAMS may convene, or the Parties may request, administrative conferences to discuss any procedural matter relating to the administration of the Arbitration.

(b) If no Arbitrator has yet been appointed, at the request of a Party and in the absence of Party agreement, JAMS may determine the location of the Hearing, subject to Arbitrator review. In determining the location of the Hearing, such factors as the subject matter of the dispute, the convenience of the Parties and witnesses, and the relative resources of the Parties shall be considered.

(c) If, at any time, any Party has failed to pay fees or expenses in full, JAMS may order the suspension or termination of the proceedings. JAMS may so inform the Parties in order that one of them may advance the required payment. If one Party advances the payment owed by a non-paying Party, the Arbitration shall proceed, and the Arbitrator may allocate the non-paying Party's share of such costs, in accordance with Rules 24(f) and 31(c). An administrative suspension shall toll any other time limits contained in these Rules or the Parties' Agreement.

(d) JAMS does not maintain an official record of documents filed in the Arbitration. If the Parties wish to have any documents returned to them, they must advise JAMS in writing within thirty (30) calendar days of the conclusion of the Arbitration. If special arrangements are required regarding file maintenance or document retention, they must be agreed to in writing, and JAMS reserves the right to impose an additional fee for such special arrangements. Documents that are submitted for e-filing are retained for thirty (30) calendar days following the conclusion of the Arbitration.

(e) Unless the Parties' Agreement or applicable law provides otherwise, JAMS, if it determines that the Arbitrations so filed have common issues of fact or law, may consolidate Arbitrations in the following instances:

(i) If a Party files more than one Arbitration with JAMS, JAMS may consolidate the Arbitrations into a single Arbitration.

(ii) Where a Demand or Demands for Arbitration is or are submitted naming Parties already involved in another Arbitration or Arbitrations pending under these Rules, JAMS may decide that the new case or cases shall be consolidated into one or more of the pending proceedings and referred to one of the Arbitrators or panels of Arbitrators already appointed.

(iii) Where a Demand or Demands for Arbitration is or are submitted naming Parties that are not identical to the

Parties in the existing Arbitration or Arbitrations, JAMS may decide that the new case or cases shall be consolidated into one or more of the pending proceedings and referred to one of the Arbitrators or panels of Arbitrators already appointed.

When rendering its decision, JAMS will take into account all circumstances, including the links between the cases and the progress already made in the existing Arbitrations.

Unless applicable law provides otherwise, where JAMS decides to consolidate a proceeding into a pending Arbitration, the Parties to the consolidated case or cases will be deemed to have waived their right to designate an Arbitrator as well as any contractual provision with respect to the site of the Arbitration.

(f) Where a third party seeks to participate in an Arbitration already pending under these Rules or where a Party to an Arbitration under these Rules seeks to compel a third party to participate in a pending Arbitration, the Arbitrator shall determine such request, taking into account all circumstances he or she deems relevant and applicable.

Rule 7. Number and Neutrality of Arbitrators; Appointment and Authority of Chairperson

(a) The Arbitration shall be conducted by one neutral Arbitrator, unless all Parties agree otherwise. In these Rules, the term "Arbitrator" shall mean, as the context requires, the Arbitrator or the panel of Arbitrators in a tripartite Arbitration.

(b) In cases involving more than one Arbitrator, the Parties shall agree on, or, in the absence of agreement, JAMS shall designate, the Chairperson of the Arbitration Panel. If the Parties and the Arbitrators agree, a single member of the Arbitration Panel may, acting alone, decide discovery and procedural matters, including the conduct of hearings to receive documents and testimony from third parties who have been subpoenaed to produce documents.

(c) Where the Parties have agreed that each Party is to name one Arbitrator, the Arbitrators so named shall be neutral and independent of the appointing Party, unless the Parties have agreed that they shall be non-neutral.

Rule 8. Service

(a) The Arbitrator may at any time require electronic filing and service of documents in an Arbitration. If an Arbitrator requires electronic filing, the Parties shall maintain and regularly monitor a valid, usable and live email address for the receipt of all documents filed through JAMS Electronic Filing System. Any document filed electronically shall be considered as filed with JAMS when the transmission to JAMS Electronic Filing System is complete. Any document e-filed by 11:59 p.m. (of the sender's time zone) shall be deemed filed on that date. Upon completion of filing, JAMS Electronic Filing System shall issue a confirmation receipt that includes the date and time of receipt. The confirmation receipt shall serve as proof of filing.

(b) Every document filed with JAMS Electronic Filing System shall be deemed to have been signed by the Arbitrator, Case Manager, attorney or declarant who submits the document to JAMS Electronic Filing System, and shall bear the typed name, address and telephone number of a signing attorney. Documents containing signatures of third parties (i.e., unopposed motions, affidavits, stipulations, etc.) may also be filed electronically by indicating that the original signatures are maintained by the filing Party in paper format.

(c) Delivery of e-service documents through JAMS Electronic Filing System to other registered users shall be considered as valid and effective service and shall have the same legal effect as an original paper document. Recipients of e-service documents shall access their documents through JAMS Electronic Filing System. E-service shall be deemed complete when the Party initiating e-service completes the transmission of the electronic document(s) to JAMS Electronic Filing System for e-filing and/or e-service. Upon actual or constructive receipt of the electronic document(s) by the Party to be served, a Certificate of Electronic Service shall be issued by JAMS Electronic Filing System to the Party initiating e-service, and that Certificate shall serve as proof of service. Any Party who ignores or attempts to refuse e-service shall be deemed to have received the electronic document(s) 72 hours following the transmission of the electronic document(s) to JAMS Electronic Filing System.

(d) If an electronic filing or service does not occur because of (1) an error in the transmission of the document to JAMS Electronic Filing System or served Party that was unknown to the sending Party; (2) a failure to process the electronic

document when received by JAMS Electronic Filing System; (3) the Party being erroneously excluded from the service list; or (4) other technical problems experienced by the filer, the Arbitrator or JAMS may, for good cause shown, permit the document to be filed *nunc pro tunc* to the date it was first attempted to be sent electronically. Or, in the case of service, the Party shall, absent extraordinary circumstances, be entitled to an order extending the date for any response or the period within which any right, duty or other act must be performed.

(e) For documents that are not filed electronically, service by a Party under these Rules is effected by providing one signed copy of the document to each Party and two copies in the case of a sole Arbitrator and four copies in the case of a tripartite panel to JAMS. Service may be made by hand-delivery, overnight delivery service or U.S. mail. Service by any of these means is considered effective upon the date of deposit of the document.

(f) In computing any period of time prescribed or allowed by these Rules for a Party to do some act within a prescribed period after the service of a notice or other paper on the Party and the notice or paper is served on the Party only by U.S. mail, three (3) calendar days shall be added to the prescribed period.

Rule 9. Notice of Claims

(a) Each Party shall afford all other Parties reasonable and timely notice of its claims, affirmative defenses or counterclaims. Any such notice shall include a short statement of its factual basis. No claim, remedy, counterclaim or affirmative defense will be considered by the Arbitrator in the absence of such prior notice to the other Parties, unless the Arbitrator determines that no Party has been unfairly prejudiced by such lack of formal notice or all Parties agree that such consideration is appropriate notwithstanding the lack of prior notice.

(b) Claimant's notice of claims is the Demand for Arbitration referenced in Rule 5. It shall include a statement of the remedies sought. The Demand for Arbitration may attach and incorporate a copy of a Complaint previously filed with a court. In the latter case, Claimant may accompany the Complaint with a copy of any Answer to that Complaint filed by any Respondent.

(c) Within fourteen (14) calendar days of service of the notice of claim, a Respondent may submit to JAMS and

serve on other Parties a response and a statement of any affirmative defenses, including jurisdictional challenges, or counterclaims it may have.

(d) Within fourteen (14) calendar days of service of a counterclaim, a Claimant may submit to JAMS and serve on other Parties a response to such counterclaim and any affirmative defenses, including jurisdictional challenges, it may have.

(e) Any claim or counterclaim to which no response has been served will be deemed denied.

(f) Jurisdictional challenges under Rule 11 shall be deemed waived, unless asserted in a response to a Demand or counterclaim or promptly thereafter, when circumstances first suggest an issue of arbitrability.

Rule 10. Changes of Claims

After the filing of a claim and before the Arbitrator is appointed, any Party may make a new or different claim against a Party or any third party that is subject to Arbitration in the proceeding. Such claim shall be made in writing, filed with JAMS and served on the other Parties. Any response to the new claim shall be made within fourteen (14) calendar days after service of such claim. After the Arbitrator is appointed, no new or different claim may be submitted, except with the Arbitrator's approval. A Party may request a hearing on this issue. Each Party has the right to respond to any new or amended claim in accordance with Rule 9(c) or (d).

Rule 11. Interpretation of Rules and Jurisdictional Challenges

(a) Once appointed, the Arbitrator shall resolve disputes about the interpretation and applicability of these Rules and conduct of the Arbitration Hearing. The resolution of the issue by the Arbitrator shall be final.

(b) Jurisdictional and arbitrability disputes, including disputes over the formation, existence, validity, interpretation or scope of the agreement under which Arbitration is sought, and who are proper Parties to the Arbitration, shall be submitted to and ruled on by the Arbitrator. The Arbitrator has the authority to determine jurisdiction and arbitrability issues as a preliminary matter.

(c) Disputes concerning the appointment of the Arbitrator shall be resolved by JAMS.

(d) The Arbitrator may, upon a showing of good cause or *sua sponte*, when necessary to facilitate the Arbitration, extend any deadlines established in these Rules, provided that the time for rendering the Award may be altered only in accordance with Rules 22(i) or 24.

Rule 12. Representation

(a) The Parties, whether natural persons or legal entities such as corporations, LLCs or partnerships, may be represented by counsel or any other person of the Party's choice. Each Party shall give prompt written notice to the Case Manager and the other Parties of the name, address, telephone and fax numbers and email address of its representative. The representative of a Party may act on the Party's behalf in complying with these Rules.

(b) Changes in Representation. A Party shall give prompt written notice to the Case Manager and the other Parties of any change in its representation, including the name, address, telephone and fax numbers and email address of the new representative. Such notice shall state that the written consent of the former representative, if any, and of the new representative, has been obtained and shall state the effective date of the new representation.

Rule 13. Withdrawal from Arbitration

(a) No Party may terminate or withdraw from an Arbitration after the issuance of the Commencement Letter (see Rule 5), except by written agreement of all Parties to the Arbitration.

(b) A Party that asserts a claim or counterclaim may unilaterally withdraw that claim or counterclaim without prejudice by serving written notice on the other Parties and the Arbitrator. However, the opposing Parties may, within seven (7) calendar days of service of such notice, request that the Arbitrator condition the withdrawal upon such terms as he or she may direct.

Rule 14. *Ex Parte* Communications

(a) No Party may have any *ex parte* communication with a neutral Arbitrator, except as provided in section (b) of this Rule. The Arbitrator(s) may authorize any Party to communicate directly with the Arbitrator(s) by email or other written means as long as copies are simultaneously forwarded to the JAMS Case Manager and the other Parties.

(b) A Party may have *ex parte* communication with its appointed neutral or non-neutral Arbitrator as necessary to secure the Arbitrator's services and to assure the absence of conflicts, as well as in connection with the selection of the Chairperson of the arbitral panel.

(c) The Parties may agree to permit more extensive *ex parte* communication between a Party and a non-neutral Arbitrator. More extensive communication with a non-neutral Arbitrator may also be permitted by applicable law and rules of ethics.

Rule 15. Arbitrator Selection, Disclosures and Replacement

(a) Unless the Arbitrator has been previously selected by agreement of the Parties, JAMS may attempt to facilitate agreement among the Parties regarding selection of the Arbitrator.

(b) If the Parties do not agree on an Arbitrator, JAMS shall send the Parties a list of at least five (5) Arbitrator candidates in the case of a sole Arbitrator and ten (10) Arbitrator candidates in the case of a tripartite panel. JAMS shall also provide each Party with a brief description of the background and experience of each Arbitrator candidate. JAMS may replace any or all names on the list of Arbitrator candidates for reasonable cause at any time before the Parties have submitted their choice pursuant to subparagraph (c) below.

(c) Within seven (7) calendar days of service upon the Parties of the list of names, each Party may strike two (2) names in the case of a sole Arbitrator and three (3) names in the case of a tripartite panel, and shall rank the remaining Arbitrator candidates in order of preference. The remaining Arbitrator candidate with the highest composite ranking shall be appointed the Arbitrator. JAMS may grant a reasonable extension of the time to strike and rank the Arbitrator candidates to any Party without the consent of the other Parties.

(d) If this process does not yield an Arbitrator or a complete panel, JAMS shall designate the sole Arbitrator or as many members of the tripartite panel as are necessary to complete the panel.

(e) If a Party fails to respond to a list of Arbitrator candidates within seven (7) calendar days after its service, or fails to respond according to the instructions provided by

JAMS, JAMS shall deem that Party to have accepted all of the Arbitrator candidates.

(f) Entities whose interests are not adverse with respect to the issues in dispute shall be treated as a single Party for purposes of the Arbitrator selection process. JAMS shall determine whether the interests between entities are adverse for purposes of Arbitrator selection, considering such factors as whether the entities are represented by the same attorney and whether the entities are presenting joint or separate positions at the Arbitration.

(g) If, for any reason, the Arbitrator who is selected is unable to fulfill the Arbitrator's duties, a successor Arbitrator shall be chosen in accordance with this Rule. If a member of a panel of Arbitrators becomes unable to fulfill his or her duties after the beginning of a Hearing but before the issuance of an Award, a new Arbitrator will be chosen in accordance with this Rule, unless, in the case of a tripartite panel, the Parties agree to proceed with the remaining two Arbitrators. JAMS will make the final determination as to whether an Arbitrator is unable to fulfill his or her duties, and that decision shall be final.

(h) Any disclosures regarding the selected Arbitrator shall be made as required by law or within ten (10) calendar days from the date of appointment. Such disclosures may be provided in electronic format, provided that JAMS will produce a hard copy to any Party that requests it. The Parties and their representatives shall disclose to JAMS any circumstance likely to give rise to justifiable doubt as to the Arbitrator's impartiality or independence, including any bias or any financial or personal interest in the result of the Arbitration or any past or present relationship with the Parties or their representatives. The obligation of the Arbitrator, the Parties and their representatives to make all required disclosures continues throughout the Arbitration process.

(i) At any time during the Arbitration process, a Party may challenge the continued service of an Arbitrator for cause. The challenge must be based upon information that was not available to the Parties at the time the Arbitrator was selected. A challenge for cause must be in writing and exchanged with opposing Parties, who may respond within seven (7) calendar days of service of the challenge. JAMS shall make the final determination as to such challenge. Such determination shall take into account the materiality of the facts and any prejudice to the Parties. That decision will be final.

(j) Where the Parties have agreed that a Party-appointed Arbitrator is to be non-neutral, that Party-appointed Arbitrator is not obliged to withdraw if requested to do so only by the Party who did not appoint that Arbitrator.

Rule 16. Preliminary Conference

At the request of any Party or at the direction of the Arbitrator, a Preliminary Conference shall be conducted with the Parties or their counsel or representatives. The Preliminary Conference may address any or all of the following subjects:

(a) The exchange of information in accordance with Rule 17 or otherwise;

(b) The schedule for discovery as permitted by the Rules, as agreed by the Parties or as required or authorized by applicable law;

(c) The pleadings of the Parties and any agreement to clarify or narrow the issues or structure the Arbitration Hearing;

(d) The scheduling of the Hearing and any pre-Hearing exchanges of information, exhibits, motions or briefs;

(e) The attendance of witnesses as contemplated by Rule 21;

(f) The scheduling of any dispositive motion pursuant to Rule 18;

(g) The premarking of exhibits, the preparation of joint exhibit lists and the resolution of the admissibility of exhibits;

(h) The form of the Award; and

(i) Such other matters as may be suggested by the Parties or the Arbitrator.

The Preliminary Conference may be conducted telephonically and may be resumed from time to time as warranted.

Rule 16.1. Application of Expedited Procedures

(a) If these Expedited Procedures are referenced in the Parties' agreement to arbitrate or are later agreed to by all Parties, they shall be applied by the Arbitrator.

(b) The Claimant or Respondent may opt into the Expedited Procedures. The Claimant may do so by indicating the election in the Demand for Arbitration. The Respondent may opt into the Expedited Procedures by so indicating in writing to JAMS with a copy to the Claimant served within fourteen (14) days of receipt of the Demand for Arbitration. If a Party opts into the Expedited Procedures, the other side shall indicate within seven (7) calendar days of notice thereof whether it agrees to the Expedited Procedures.

(c) If one Party elects the Expedited Procedures and any other Party declines to agree to the Expedited Procedures, each Party shall have a client or client representative present at the first Preliminary Conference (which should, if feasible, be an in-person conference), unless excused by the Arbitrator for good cause.

Rule 16.2. Where Expedited Procedures Are Applicable

(a) The Arbitrator shall require compliance with Rule 17(a) prior to conducting the first Preliminary Conference. Each Party shall confirm in writing to the Arbitrator that it has so complied or shall indicate any limitations on full compliance and the reasons therefor.

(b) Document requests shall (1) be limited to documents that are directly relevant to the matters in dispute or to its outcome; (2) be reasonably restricted in terms of time frame, subject matter and persons or entities to which the requests pertain; and (3) not include broad phraseology such as "all documents directly or indirectly related to." The Requests shall not be encumbered with extensive "definitions" or "instructions." The Arbitrator may edit or limit the number of requests.

(c) E-Discovery shall be limited as follows:

(i) There shall be production of electronic documents only from sources used in the ordinary course of business. Absent a showing of compelling need, no such documents are required to be produced from backup servers, tapes or other media.

(ii) Absent a showing of compelling need, the production of electronic documents shall normally be made on the basis of generally available technology in a searchable format that is usable by the requesting Party and convenient and economical for the producing Party. Absent a showing of compelling need, the Parties need not produce

metadata, with the exception of header fields for email correspondence.

(iii) The description of custodians from whom electronic documents may be collected should be narrowly tailored to include only those individuals whose electronic documents may reasonably be expected to contain evidence that is material to the dispute.

(iv) Where the costs and burdens of e-discovery are disproportionate to the nature of the dispute or to the amount in controversy, or to the relevance of the materials requested, the Arbitrator may either deny such requests or order disclosure on the condition that the requesting Party advance the reasonable cost of production to the other side, subject to the allocation of costs in the final Award.

(v) The Arbitrator may vary these Rules after discussion with the Parties at the Preliminary Conference.

(d) Depositions of percipient witnesses shall be limited as follows:

(i) The limitation of one discovery deposition per side (Rule 17(b)) shall be applied by the Arbitrator, unless it is determined, based on all relevant circumstances, that more depositions are warranted. The Arbitrator shall consider the amount in controversy, the complexity of the factual issues, the number of Parties and the diversity of their interests and whether any or all of the claims appear, on the basis of the pleadings, to have sufficient merit to justify the time and expense associated with the requested discovery.

(ii) The Arbitrator shall also consider the additional factors listed in the JAMS Recommended Arbitration Discovery Protocols for Domestic Commercial Cases.

(e) Expert depositions, if any, shall be limited as follows: Where written expert reports are produced to the other side in advance of the Hearing (Rule 17(a)), expert depositions may be conducted only by agreement of the Parties or by order of the Arbitrator for good cause shown.

(f) Discovery disputes shall be resolved on an expedited basis.

(i) Where there is a panel of three Arbitrators, the Parties are encouraged to agree, by rule or otherwise, that the Chair or another member of the panel is authorized to resolve discovery issues, acting alone.

(ii) Lengthy briefs on discovery matters should be avoided. In most cases, the submission of brief letters will

sufficiently inform the Arbitrator with regard to the issues to be decided.

(iii) The Parties should meet and confer in good faith prior to presenting any issues for the Arbitrator's decision.

(iv) If disputes exist with respect to some issues, that should not delay the Parties' discovery on remaining issues.

(g) The Arbitrator shall set a discovery cutoff not to exceed seventy-five (75) calendar days after the Preliminary Conference for percipient discovery and not to exceed one hundred five (105) calendar days for expert discovery (if any). These dates may be extended by the Arbitrator for good cause shown.

(h) Dispositive motions (Rule 18) shall not be permitted, except as set forth in the JAMS Recommended Arbitration Discovery Protocols for Domestic Commercial Cases or unless the Parties agree to that procedure.

(i) The Hearing shall commence within sixty (60) calendar days after the cutoff for percipient discovery. Consecutive Hearing days shall be established, unless otherwise agreed by the Parties or ordered by the Arbitrator. These dates may be extended by the Arbitrator for good cause shown.

(j) The Arbitrator may alter any of these Procedures for good cause.

Rule 17. Exchange of Information

(a) The Parties shall cooperate in good faith in the voluntary and informal exchange of all non-privileged documents and other information (including electronically stored information ("ESI")) relevant to the dispute or claim immediately after commencement of the Arbitration. They shall complete an initial exchange of all relevant, non-privileged documents, including, without limitation, copies of all documents in their possession or control on which they rely in support of their positions, and names of individuals whom they may call as witnesses at the Arbitration Hearing, within twenty-one (21) calendar days after all pleadings or notice of claims have been received. The Arbitrator may modify these obligations at the Preliminary Conference.

(b) Each Party may take one deposition of an opposing Party or of one individual under the control of the opposing Party. The Parties shall attempt to agree on the time, location and duration of the deposition. If the Parties do not agree, these issues shall be determined by the Arbitrator.

The necessity of additional depositions shall be determined by the Arbitrator based upon the reasonable need for the requested information, the availability of other discovery options and the burdensomeness of the request on the opposing Parties and the witness.

(c) As they become aware of new documents or information, including experts who may be called upon to testify, all Parties continue to be obligated to provide relevant, non-privileged documents to supplement their identification of witnesses and experts and to honor any informal agreements or understandings between the Parties regarding documents or information to be exchanged. Documents that were not previously exchanged, or witnesses and experts that were not previously identified, may not be considered by the Arbitrator at the Hearing, unless agreed by the Parties or upon a showing of good cause.

(d) The Parties shall promptly notify JAMS when a dispute exists regarding discovery issues. A conference shall be arranged with the Arbitrator, either by telephone or in person, and the Arbitrator shall decide the dispute. With the written consent of all Parties, and in accordance with an agreed written procedure, the Arbitrator may appoint a special master to assist in resolving a discovery dispute.

Rule 18. Summary Disposition of a Claim or Issue

The Arbitrator may permit any Party to file a Motion for Summary Disposition of a particular claim or issue, either by agreement of all interested Parties or at the request of one Party, provided other interested Parties have reasonable notice to respond to the request.

Rule 19. Scheduling and Location of Hearing

(a) The Arbitrator, after consulting with the Parties that have appeared, shall determine the date, time and location of the Hearing. The Arbitrator and the Parties shall attempt to schedule consecutive Hearing days if more than one day is necessary.

(b) If a Party has failed to participate in the Arbitration process, the Arbitrator may set the Hearing without consulting with that Party. The non-participating Party shall be served with a Notice of Hearing at least thirty (30) calendar days prior to the scheduled date, unless the law of the relevant

jurisdiction allows for, or the Parties have agreed to, shorter notice.

(c) The Arbitrator, in order to hear a third-party witness, or for the convenience of the Parties or the witnesses, may conduct the Hearing at any location. Any JAMS Resolution Center may be designated a Hearing location for purposes of the issuance of a subpoena or subpoena *duces tecum* to a third-party witness.

Rule 20. Pre-Hearing Submissions

(a) Except as set forth in any scheduling order that may be adopted, at least fourteen (14) calendar days before the Arbitration Hearing, the Parties shall file with JAMS and serve and exchange (1) a list of the witnesses they intend to call, including any experts; (2) a short description of the anticipated testimony of each such witness and an estimate of the length of the witness' direct testimony; (3) any written expert reports that may be introduced at the Arbitration Hearing; and (4) a list of all exhibits intended to be used at the Hearing. The Parties should exchange with each other copies of any such exhibits to the extent that they have not been previously exchanged. The Parties should pre-mark exhibits and shall attempt to resolve any disputes regarding the admissibility of exhibits prior to the Hearing.

(b) The Arbitrator may require that each Party submit a concise written statement of position, including summaries of the facts and evidence a Party intends to present, discussion of the applicable law and the basis for the requested Award or denial of relief sought. The statements, which may be in the form of a letter, shall be filed with JAMS and served upon the other Parties at least seven (7) calendar days before the Hearing date. Rebuttal statements or other pre-Hearing written submissions may be permitted or required at the discretion of the Arbitrator.

Rule 21. Securing Witnesses and Documents for the Arbitration Hearing

At the written request of a Party, all other Parties shall produce for the Arbitration Hearing all specified witnesses in their employ or under their control without need of subpoena. The Arbitrator may issue subpoenas for the attendance of witnesses or the production of documents either prior to or at the Hearing pursuant to this Rule or Rule 19(c). The subpoena or subpoena *duces tecum* shall be issued in accordance with the applicable law. Pre-issued

subpoenas may be used in jurisdictions that permit them. In the event a Party or a subpoenaed person objects to the production of a witness or other evidence, the Party or subpoenaed person may file an objection with the Arbitrator, who shall promptly rule on the objection, weighing both the burden on the producing Party and witness and the need of the proponent for the witness or other evidence.

Rule 22. The Arbitration Hearing

(a) The Arbitrator will ordinarily conduct the Arbitration Hearing in the manner set forth in these Rules. The Arbitrator may vary these procedures if it is determined to be reasonable and appropriate to do so.

(b) The Arbitrator shall determine the order of proof, which will generally be similar to that of a court trial.

(c) The Arbitrator shall require witnesses to testify under oath if requested by any Party, or otherwise at the discretion of the Arbitrator.

(d) Strict conformity to the rules of evidence is not required, except that the Arbitrator shall apply applicable law relating to privileges and work product. The Arbitrator shall consider evidence that he or she finds relevant and material to the dispute, giving the evidence such weight as is appropriate. The Arbitrator may be guided in that determination by principles contained in the Federal Rules of Evidence or any other applicable rules of evidence. The Arbitrator may limit testimony to exclude evidence that would be immaterial or unduly repetitive, provided that all Parties are afforded the opportunity to present material and relevant evidence.

(e) The Arbitrator shall receive and consider relevant deposition testimony recorded by transcript or videotape, provided that the other Parties have had the opportunity to attend and cross-examine. The Arbitrator may in his or her discretion consider witness affidavits or other recorded testimony even if the other Parties have not had the opportunity to cross-examine, but will give that evidence only such weight as he or she deems appropriate.

(f) The Parties will not offer as evidence, and the Arbitrator shall neither admit into the record nor consider, prior settlement offers by the Parties or statements or recommendations made by a mediator or other person in connection with efforts to resolve the dispute being arbitrated, except

to the extent that applicable law permits the admission of such evidence.

(g) The Hearing, or any portion thereof, may be conducted telephonically or videographically with the agreement of the Parties or at the discretion of the Arbitrator.

(h) When the Arbitrator determines that all relevant and material evidence and arguments have been presented, and any interim or partial Awards have been issued, the Arbitrator shall declare the Hearing closed. The Arbitrator may defer the closing of the Hearing until a date determined by the Arbitrator in order to permit the Parties to submit post-Hearing briefs, which may be in the form of a letter, and/or to make closing arguments. If post-Hearing briefs are to be submitted or closing arguments are to be made, the Hearing shall be deemed closed upon receipt by the Arbitrator of such briefs or at the conclusion of such closing arguments, whichever is later.

(i) At any time before the Award is rendered, the Arbitrator may, *sua sponte* or on application of a Party for good cause shown, reopen the Hearing. If the Hearing is reopened, the time to render the Award shall be calculated from the date the reopened Hearing is declared closed by the Arbitrator.

(j) The Arbitrator may proceed with the Hearing in the absence of a Party that, after receiving notice of the Hearing pursuant to Rule 19, fails to attend. The Arbitrator may not render an Award solely on the basis of the default or absence of the Party, but shall require any Party seeking relief to submit such evidence as the Arbitrator may require for the rendering of an Award. If the Arbitrator reasonably believes that a Party will not attend the Hearing, the Arbitrator may schedule the Hearing as a telephonic Hearing and may receive the evidence necessary to render an Award by affidavit. The notice of Hearing shall specify if it will be in person or telephonic.

(k) Any Party may arrange for a stenographic or other record to be made of the Hearing and shall inform the other Parties in advance of the Hearing.

(i) The requesting Party shall bear the cost of such stenographic record. If all other Parties agree to share the cost of the stenographic record, it shall be made available to the Arbitrator and may be used in the proceeding.

(ii) If there is no agreement to share the cost of the stenographic record, it may not be provided to the Arbitrator

and may not be used in the proceeding, unless the Party arranging for the stenographic record agrees to provide access to the stenographic record either at no charge or on terms that are acceptable to the Parties and the reporting service.

(iii) If the Parties agree to the Optional Arbitration Appeal Procedure (Rule 34), they shall, if possible, ensure that a stenographic or other record is made of the Hearing and shall share the cost of that record.

(iv) The Parties may agree that the cost of the stenographic record shall or shall not be allocated by the Arbitrator in the Award.

Rule 23. Waiver of Hearing

The Parties may agree to waive the oral Hearing and submit the dispute to the Arbitrator for an Award based on written submissions and other evidence as the Parties may agree.

Rule 24. Awards

(a) The Arbitrator shall render a Final Award or a Partial Final Award within thirty (30) calendar days after the date of the close of the Hearing, as defined in Rule 22(h) or (i), or, if a Hearing has been waived, within thirty (30) calendar days after the receipt by the Arbitrator of all materials specified by the Parties, except (1) by the agreement of the Parties; (2) upon good cause for an extension of time to render the Award; or (3) as provided in Rule 22(i). The Arbitrator shall provide the Final Award or the Partial Final Award to JAMS for issuance in accordance with this Rule.

(b) Where a panel of Arbitrators has heard the dispute, the decision and Award of a majority of the panel shall constitute the Arbitration Award.

(c) In determining the merits of the dispute, the Arbitrator shall be guided by the rules of law agreed upon by the Parties. In the absence of such agreement, the Arbitrator shall be guided by the rules of law and equity that he or she deems to be most appropriate. The Arbitrator may grant any remedy or relief that is just and equitable and within the scope of the Parties' agreement, including, but not limited to, specific performance of a contract or any other equitable or legal remedy.

(d) In addition to a Final Award or Partial Final Award, the Arbitrator may make other decisions, including interim or partial rulings, orders and Awards.

(e) Interim Measures. The Arbitrator may grant whatever interim measures are deemed necessary, including injunctive relief and measures for the protection or conservation of property and disposition of disposable goods. Such interim measures may take the form of an interim or Partial Final Award, and the Arbitrator may require security for the costs of such measures. Any recourse by a Party to a court for interim or provisional relief shall not be deemed incompatible with the agreement to arbitrate or a waiver of the right to arbitrate.

(f) The Award of the Arbitrator may allocate Arbitration fees and Arbitrator compensation and expenses, unless such an allocation is expressly prohibited by the Parties' Agreement. (Such a prohibition may not limit the power of the Arbitrator to allocate Arbitration fees and Arbitrator compensation and expenses pursuant to Rule 31(c).)

(g) The Award of the Arbitrator may allocate attorneys' fees and expenses and interest (at such rate and from such date as the Arbitrator may deem appropriate) if provided by the Parties' Agreement or allowed by applicable law. When the Arbitrator is authorized to award attorneys' fees and must determine the reasonable amount of such fees, he or she may consider whether the failure of a Party to cooperate reasonably in the discovery process and/or comply with the Arbitrator's discovery orders caused delay to the proceeding or additional costs to the other Parties.

(h) The Award shall consist of a written statement signed by the Arbitrator regarding the disposition of each claim and the relief, if any, as to each claim. Unless all Parties agree otherwise, the Award shall also contain a concise written statement of the reasons for the Award.

(i) After the Award has been rendered, and provided the Parties have complied with Rule 31, the Award shall be issued by serving copies on the Parties. Service may be made by U.S. mail. It need not be sent certified or registered.

(j) Within seven (7) calendar days after service of a Partial Final Award or Final Award by JAMS, any Party may serve upon the other Parties and on JAMS a request that the Arbitrator correct any computational, typographical or other similar error in an Award (including the reallocation of fees pursuant to Rule 31(c) or on account of the effect of an offer to allow judgment), or the Arbitrator may *sua sponte* propose to correct such errors in an Award. A Party opposing such correction shall have seven (7) calendar days thereafter in which to file any objection. The Arbitrator

may make any necessary and appropriate corrections to the Award within twenty-one (21) calendar days of receiving a request or fourteen (14) calendar days after his or her proposal to do so. The Arbitrator may extend the time within which to make corrections upon good cause. The corrected Award shall be served upon the Parties in the same manner as the Award.

(k) The Award is considered final, for purposes of either the Optional Arbitration Appeal Procedure pursuant to Rule 34 or a judicial proceeding to enforce, modify or vacate the Award pursuant to Rule 25, fourteen (14) calendar days after service is deemed effective if no request for a correction is made, or as of the effective date of service of a corrected Award.

Rule 25. Enforcement of the Award

Proceedings to enforce, confirm, modify or vacate an Award will be controlled by and conducted in conformity with the Federal Arbitration Act, 9 U.S.C. Sec 1, *et seq.*, or applicable state law. The Parties to an Arbitration under these Rules shall be deemed to have consented that judgment upon the Award may be entered in any court having jurisdiction thereof.

Rule 26. Confidentiality and Privacy

(a) JAMS and the Arbitrator shall maintain the confidential nature of the Arbitration proceeding and the Award, including the Hearing, except as necessary in connection with a judicial challenge to or enforcement of an Award, or unless otherwise required by law or judicial decision.

(b) The Arbitrator may issue orders to protect the confidentiality of proprietary information, trade secrets or other sensitive information.

(c) Subject to the discretion of the Arbitrator or agreement of the Parties, any person having a direct interest in the Arbitration may attend the Arbitration Hearing. The Arbitrator may exclude any non-Party from any part of a Hearing.

Rule 27. Waiver

(a) If a Party becomes aware of a violation of or failure to comply with these Rules and fails promptly to object in writing, the objection will be deemed waived, unless the Arbitrator determines that waiver will cause substantial injustice or hardship.

(b) If any Party becomes aware of information that could be the basis of a challenge for cause to the continued service of the Arbitrator, such challenge must be made promptly, in writing, to the Arbitrator or JAMS. Failure to do so shall constitute a waiver of any objection to continued service by the Arbitrator.

Rule 28. Settlement and Consent Award

(a) The Parties may agree, at any stage of the Arbitration process, to submit the case to JAMS for mediation. The JAMS mediator assigned to the case may not be the Arbitrator or a member of the Appeal Panel, unless the Parties so agree, pursuant to Rule 28(b).

(b) The Parties may agree to seek the assistance of the Arbitrator in reaching settlement. By their written agreement to submit the matter to the Arbitrator for settlement assistance, the Parties will be deemed to have agreed that the assistance of the Arbitrator in such settlement efforts will not disqualify the Arbitrator from continuing to serve as Arbitrator if settlement is not reached; nor shall such assistance be argued to a reviewing court as the basis for vacating or modifying an Award.

(c) If, at any stage of the Arbitration process, all Parties agree upon a settlement of the issues in dispute and request the Arbitrator to embody the agreement in a Consent Award, the Arbitrator shall comply with such request, unless the Arbitrator believes the terms of the agreement are illegal or undermine the integrity of the Arbitration process. If the Arbitrator is concerned about the possible consequences of the proposed Consent Award, he or she shall inform the Parties of that concern and may request additional specific information from the Parties regarding the proposed Consent Award. The Arbitrator may refuse to enter the proposed Consent Award and may withdraw from the case.

Rule 29. Sanctions

The Arbitrator may order appropriate sanctions for failure of a Party to comply with its obligations under any of these Rules or with an order of the Arbitrator. These sanctions may include, but are not limited to, assessment of Arbitration fees and Arbitrator compensation and expenses; assessment of any other costs occasioned by the actionable conduct, including reasonable attorneys' fees; exclusion of certain evidence; drawing adverse inferences; or, in extreme cases, determining an issue or issues submitted to Arbitration adversely to the Party that has failed to comply.

Rule 30. Disqualification of the Arbitrator as a Witness or Party and Exclusion of Liability

(a) The Parties may not call the Arbitrator, the Case Manager or any other JAMS employee or agent as a witness or as an expert in any pending or subsequent litigation or other proceeding involving the Parties and relating to the dispute that is the subject of the Arbitration. The Arbitrator, Case Manager and other JAMS employees and agents are also incompetent to testify as witnesses or experts in any such proceeding.

(b) The Parties shall defend and/or pay the cost (including any attorneys' fees) of defending the Arbitrator, Case Manager and/or JAMS from any subpoenas from outside parties arising from the Arbitration.

(c) The Parties agree that neither the Arbitrator, nor the Case Manager, nor JAMS is a necessary Party in any litigation or other proceeding relating to the Arbitration or the subject matter of the Arbitration, and neither the Arbitrator, nor the Case Manager, nor JAMS, including its employees or agents, shall be liable to any Party for any act or omission in connection with any Arbitration conducted under these Rules, including, but not limited to, any disqualification of or recusal by the Arbitrator.

Rule 31. Fees

(a) Each Party shall pay its *pro rata* share of JAMS fees and expenses as set forth in the JAMS fee schedule in effect at the time of the commencement of the Arbitration, unless the Parties agree on a different allocation of fees and expenses. JAMS' agreement to render services is jointly with the Party and the attorney or other representative of the Party in the Arbitration. The non-payment of fees may result in an administrative suspension of the case in accordance with Rule 6(c).

(b) JAMS requires that the Parties deposit the fees and expenses for the Arbitration from time to time during the course of the proceedings and prior to the Hearing. The Arbitrator may preclude a Party that has failed to deposit its *pro rata* or agreed-upon share of the fees and expenses from offering evidence of any affirmative claim at the Hearing.

(c) The Parties are jointly and severally liable for the payment of JAMS Arbitration fees and Arbitrator compensation

and expenses. In the event that one Party has paid more than its share of such fees, compensation and expenses, the Arbitrator may award against any other Party any such fees, compensation and expenses that such Party owes with respect to the Arbitration.

(d) Entities whose interests are not adverse with respect to the issues in dispute shall be treated as a single Party for purposes of JAMS' assessment of fees. JAMS shall determine whether the interests between entities are adverse for purpose of fees, considering such factors as whether the entities are represented by the same attorney and whether the entities are presenting joint or separate positions at the Arbitration.

Rule 32. Bracketed (or High-Low) Arbitration Option

(a) At any time before the issuance of the Arbitration Award, the Parties may agree, in writing, on minimum and maximum amounts of damages that may be awarded on each claim or on all claims in the aggregate. The Parties shall promptly notify JAMS and provide to JAMS a copy of their written agreement setting forth the agreed-upon minimum and maximum amounts.

(b) JAMS shall not inform the Arbitrator of the agreement to proceed with this option or of the agreed-upon minimum and maximum levels without the consent of the Parties.

(c) The Arbitrator shall render the Award in accordance with Rule 24.

(d) In the event that the Award of the Arbitrator is between the agreed-upon minimum and maximum amounts, the Award shall become final as is. In the event that the Award is below the agreed-upon minimum amount, the final Award issued shall be corrected to reflect the agreed-upon minimum amount. In the event that the Award is above the agreed-upon maximum amount, the final Award issued shall be corrected to reflect the agreed-upon maximum amount.

Rule 33. Final Offer (or Baseball) Arbitration Option

(a) Upon agreement of the Parties to use the option set forth in this Rule, at least seven (7) calendar days before the Arbitration Hearing, the Parties shall exchange and provide to JAMS written proposals for the amount of money damages they would offer or demand, as applicable, and

that they believe to be appropriate based on the standard set forth in Rule 24(c). JAMS shall promptly provide copies of the Parties' proposals to the Arbitrator, unless the Parties agree that they should not be provided to the Arbitrator. At any time prior to the close of the Arbitration Hearing, the Parties may exchange revised written proposals or demands, which shall supersede all prior proposals. The revised written proposals shall be provided to JAMS, which shall promptly provide them to the Arbitrator, unless the Parties agree otherwise.

(b) If the Arbitrator has been informed of the written proposals, in rendering the Award, the Arbitrator shall choose between the Parties' last proposals, selecting the proposal that the Arbitrator finds most reasonable and appropriate in light of the standard set forth in Rule 24(c). This provision modifies Rule 24(h) in that no written statement of reasons shall accompany the Award.

(c) If the Arbitrator has not been informed of the written proposals, the Arbitrator shall render the Award as if pursuant to Rule 24, except that the Award shall thereafter be corrected to conform to the closest of the last proposals and the closest of the last proposals will become the Award.

(d) Other than as provided herein, the provisions of Rule 24 shall be applicable.

Rule 34. Optional Arbitration Appeal Procedure

The Parties may agree at any time to the JAMS Optional Arbitration Appeal Procedure. All Parties must agree in writing for such procedure to be effective. Once a Party has agreed to the Optional Arbitration Appeal Procedure, it cannot unilaterally withdraw from it, unless it withdraws, pursuant to Rule 13, from the Arbitration.

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Doc. No. 2

COMMERCIAL

Commercial

Arbitration Rules and Mediation Procedures

Including Procedures for Large, Complex Commercial Disputes

AMERICAN ARBITRATION ASSOCIATION®

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Rules Amended and Effective October 1, 2013
Fee Schedule Amended and Effective July 1, 2016

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Commercial Arbitration Rules and Mediation Procedures

(Including Procedures for Large, Complex Commercial Disputes)

Important Notice

These rules and any amendment of them shall apply in the form in effect at the time the administrative filing requirements are met for a demand for arbitration or submission agreement received by the AAA®. To ensure that you have the most current information, see our web site at **www.adr.org.**

Introduction

Each year, many millions of business transactions take place. Occasionally, disagreements develop over these business transactions. Many of these disputes are resolved by arbitration, the voluntary submission of a dispute to an impartial person or persons for final and binding determination. Arbitration has proven to be an effective way to resolve these disputes privately, promptly, and economically.

The American Arbitration Association® (AAA), a not-for-profit, public service organization, offers a broad range of dispute resolution services to business executives, attorneys, individuals, trade associations, unions, management, consumers, families, communities, and all levels of government. Services are available through AAA headquarters in New York and through offices located in major cities throughout the United States. Hearings may be held at locations convenient for the parties and are not limited to cities with AAA offices. In addition, the AAA serves as a center for education and training, issues specialized publications, and conducts research on various forms of alternative dispute resolution.

Standard Arbitration Clause

The parties can provide for arbitration of future disputes by inserting the following clause into their contracts:

> *Any controversy or claim arising out of or relating to this contract, or the breach thereof, shall be settled by arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules, and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.*

Arbitration of existing disputes may be accomplished by use of the following:

> *We, the undersigned parties, hereby agree to submit to arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules the following Controversy: (describe briefly). We further agree that the above controversy be submitted to (one) (three) arbitrator(s). We further agree that we will faithfully observe this agreement and the rules, that we will abide by and perform any award rendered by the arbitrator(s), and that a judgment of any court having jurisdiction may be entered on the award.*

The services of the AAA are generally concluded with the transmittal of the award. Although there is voluntary compliance with the majority of awards, judgment on the award can be entered in a court having appropriate jurisdiction if necessary.

Administrative Fees

The AAA charges a filing fee based on the amount of the claim or counterclaim. This fee information, which is included with these rules, allows the parties to exercise control over their administrative fees. The fees cover AAA administrative services; they do not cover arbitrator compensation or expenses, if any, reporting services, or any post-award charges incurred by the parties in enforcing the award.

Mediation

Subject to the right of any party to opt out, in cases where a claim or counterclaim exceeds $75,000, the rules provide that the parties shall mediate their dispute upon the administration of the arbitration or at any time when the arbitration is pending. In mediation, the neutral mediator assists the parties in

reaching a settlement but does not have the authority to make a binding decision or award. Mediation is administered by the AAA in accordance with its Commercial Mediation Procedures. There is no additional filing fee where parties to a pending arbitration attempt to mediate their dispute under the AAA's auspices.

Although these rules include a mediation procedure that will apply to many cases, parties may still want to incorporate mediation into their contractual dispute settlement process. Parties can do so by inserting the following mediation clause into their contract in conjunction with a standard arbitration provision:

> *If a dispute arises out of or relates to this contract, or the breach thereof, and if the dispute cannot be settled through negotiation, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Commercial Mediation Procedures before resorting to arbitration, litigation, or some other dispute resolution procedure.*

If the parties want to use a mediator to resolve an existing dispute, they can enter into the following submission agreement:

> *The parties hereby submit the following dispute to mediation administered by the American Arbitration Association under its Commercial Mediation Procedures. (The clause may also provide for the qualifications of the mediator(s), method of payment, locale of meetings, and any other item of concern to the parties.)*

Large, Complex Cases

Unless the parties agree otherwise, the procedures for Large, Complex Commercial Disputes, which appear in this pamphlet, will be applied to all cases administered by the AAA under the Commercial Arbitration Rules in which the disclosed claim or counterclaim of any party is at least $500,000 exclusive of claimed interest, arbitration fees and costs. The key features of these procedures include:

- A highly qualified, trained Roster of Neutrals;
- A mandatory preliminary hearing with the arbitrators, which may be conducted by teleconference;
- Broad arbitrator authority to order and control the exchange of information, including depositions;
- A presumption that hearings will proceed on a consecutive or block basis.

Commercial Arbitration Rules

R-1. Agreement of Parties*

(a) The parties shall be deemed to have made these rules a part of their arbitration agreement whenever they have provided for arbitration by the American Arbitration Association (hereinafter AAA) under its Commercial Arbitration Rules or for arbitration by the AAA of a domestic commercial dispute without specifying particular rules. These rules and any amendment of them shall apply in the form in effect at the time the administrative requirements are met for a Demand for Arbitration or Submission Agreement received by the AAA. Any disputes regarding which AAA rules shall apply shall be decided by the AAA. The parties, by written agreement, may vary the procedures set forth in these rules. After appointment of the arbitrator, such modifications may be made only with the consent of the arbitrator.

(b) Unless the parties or the AAA determines otherwise, the Expedited Procedures shall apply in any case in which no disclosed claim or counterclaim exceeds $75,000, exclusive of interest, attorneys' fees, and arbitration fees and costs.

Parties may also agree to use these procedures in larger cases. Unless the parties agree otherwise, these procedures will not apply in cases involving more than two parties. The Expedited Procedures shall be applied as described in Sections E-1 through E-10 of these rules, in addition to any other portion of these rules that is not in conflict with the Expedited Procedures.

(c) Unless the parties agree otherwise, the Procedures for Large, Complex Commercial Disputes shall apply to all cases in which the disclosed claim or counterclaim of any party is at least $500,000 or more, exclusive of claimed interest, attorneys' fees, arbitration fees and costs. Parties may also agree to use the procedures in cases involving claims or counterclaims under $500,000, or in nonmonetary cases. The Procedures for Large, Complex Commercial Disputes shall be applied as described in Sections L-1 through L-3 of these rules, in addition to any other portion of these rules that is not in conflict with the Procedures for Large, Complex Commercial Disputes.

(d) Parties may, by agreement, apply the Expedited Procedures, the Procedures for Large, Complex Commercial Disputes, or the Procedures for the Resolution of Disputes through Document Submission (Rule E-6) to any dispute.

(e) All other cases shall be administered in accordance with Sections R-1 through R-58 of these rules.

* *A dispute arising out of an employer-promulgated plan will be administered under the AAA's Employment Arbitration Rules and Mediation Procedures. A dispute arising out of a consumer arbitration agreement will be administered under the AAA's Consumer Arbitration Rules.*

R-2. AAA and Delegation of Duties

When parties agree to arbitrate under these rules, or when they provide for arbitration by the AAA and an arbitration is initiated under these rules, they thereby authorize the AAA to administer the arbitration. The authority and duties of the AAA are prescribed in the agreement of the parties and in these rules, and may be carried out through such of the AAA's representatives as it may direct. The AAA may, in its discretion, assign the administration of an arbitration to any of its offices. Arbitrations administered under these rules shall only be administered by the AAA or by an individual or organization authorized by the AAA to do so.

R-3. National Roster of Arbitrators

The AAA shall establish and maintain a National Roster of Arbitrators ("National Roster") and shall appoint arbitrators as provided in these rules. The term "arbitrator" in these rules refers to the arbitration panel, constituted for a particular case, whether composed of one or more arbitrators, or to an individual arbitrator, as the context requires.

R-4. Filing Requirements

(a) Arbitration under an arbitration provision in a contract shall be initiated by the initiating party ("claimant") filing with the AAA a Demand for Arbitration, the administrative filing fee, and a copy of the applicable arbitration agreement from the parties' contract which provides for arbitration.

(b) Arbitration pursuant to a court order shall be initiated by the initiating party filing with the AAA a Demand for Arbitration, the administrative filing fee, and a copy of any applicable arbitration agreement from the parties' contract which provides for arbitration.

- **i.** The filing party shall include a copy of the court order.
- **ii.** The filing fee must be paid before a matter is considered properly filed. If the court order directs that a specific party is responsible for the filing fee, it is the responsibility of the filing party to either make such payment to the AAA and seek reimbursement as directed in the court order or to make other such arrangements so that the filing fee is submitted to the AAA with the Demand.
- **iii.** The party filing the Demand with the AAA is the claimant and the opposing party is the respondent regardless of which party initiated the court action. Parties may request that the arbitrator alter the order of proceedings if necessary pursuant to R-32.

(c) It is the responsibility of the filing party to ensure that any conditions precedent to the filing of a case are met prior to filing for an arbitration, as well as any time requirements associated with the filing. Any dispute regarding whether a condition precedent has been met may be raised to the arbitrator for determination.

(d) Parties to any existing dispute who have not previously agreed to use these rules may commence an arbitration under these rules by filing a written submission agreement and the administrative filing fee. To the extent that the parties' submission agreement contains any variances from these rules, such variances should be clearly stated in the Submission Agreement.

(e) Information to be included with any arbitration filing includes:

- **i.** the name of each party;
- **ii.** the address for each party, including telephone and fax numbers and e-mail addresses;
- **iii.** if applicable, the names, addresses, telephone and fax numbers, and e-mail addresses of any known representative for each party;
- **iv.** a statement setting forth the nature of the claim including the relief sought and the amount involved; and
- **v.** the locale requested if the arbitration agreement does not specify one.

(f) The initiating party may file or submit a dispute to the AAA in the following manner:

- **i.** through AAA WebFile, located at **www.adr.org;** or
- **ii.** by filing the complete Demand or Submission with any AAA office, regardless of the intended locale of hearing.

(g) The filing party shall simultaneously provide a copy of the Demand and any supporting documents to the opposing party.

(h) The AAA shall provide notice to the parties (or their representatives if so named) of the receipt of a Demand or Submission when the administrative filing requirements have been satisfied. The date on which the filing requirements are satisfied shall establish the date of filing the dispute for administration. However, all disputes in connection with the AAA's determination of the date of filing may be decided by the arbitrator.

(i) If the filing does not satisfy the filing requirements set forth above, the AAA shall acknowledge to all named parties receipt of the incomplete filing and inform the parties of the filing deficiencies. If the deficiencies are not cured by the date specified by the AAA, the filing may be returned to the initiating party.

R-5. Answers and Counterclaims

(a) A respondent may file an answering statement with the AAA within 14 calendar days after notice of the filing of the Demand is sent by the AAA. The respondent shall, at the time of any such filing, send a copy of any answering statement to the claimant and to all other parties to the arbitration. If no answering statement is filed within the stated time, the respondent will be deemed to deny the claim. Failure to file an answering statement shall not operate to delay the arbitration.

(b) A respondent may file a counterclaim at any time after notice of the filing of the Demand is sent by the AAA, subject to the limitations set forth in Rule R-6. The respondent shall send a copy of the counterclaim to the claimant and all other parties to the arbitration. If a counterclaim is asserted, it shall include a statement setting forth the nature of the counterclaim including the relief sought and the amount involved. The filing fee as specified in the applicable AAA Fee Schedule must be paid at the time of the filing of any counterclaim.

(c) If the respondent alleges that a different arbitration provision is controlling, the matter will be administered in accordance with the arbitration provision submitted by the initiating party subject to a final determination by the arbitrator.

(d) If the counterclaim does not meet the requirements for filing a claim and the deficiency is not cured by the date specified by the AAA, it may be returned to the filing party.

R-6. Changes of Claim

(a) A party may at any time prior to the close of the hearing or by the date established by the arbitrator increase or decrease the amount of its claim or counterclaim. Written notice of the change of claim amount must be provided to the AAA and all parties. If the change of claim amount results in an increase in administrative fee, the balance of the fee is due before the change of claim amount may be accepted by the arbitrator.

(b) Any new or different claim or counterclaim, as opposed to an increase or decrease in the amount of a pending claim or counterclaim, shall be made in writing and filed with the AAA, and a copy shall be provided to the other party, who shall have a period of 14 calendar days from the date of such transmittal within which to file an answer to the proposed change of claim or counterclaim with the AAA. After the arbitrator is appointed, however, no new or different claim may be submitted except with the arbitrator's consent.

R-7. Jurisdiction

(a) The arbitrator shall have the power to rule on his or her own jurisdiction, including any objections with respect to the existence, scope, or validity of the arbitration agreement or to the arbitrability of any claim or counterclaim.

(b) The arbitrator shall have the power to determine the existence or validity of a contract of which an arbitration clause forms a part. Such an arbitration clause shall be treated as an agreement independent of the other terms of the contract. A decision by the arbitrator that the contract is null and void shall not for that reason alone render invalid the arbitration clause.

(c) A party must object to the jurisdiction of the arbitrator or to the arbitrability of a claim or counterclaim no later than the filing of the answering statement to the claim or counterclaim that gives rise to the objection. The arbitrator may rule on such objections as a preliminary matter or as part of the final award.

R-8. Interpretation and Application of Rules

The arbitrator shall interpret and apply these rules insofar as they relate to the arbitrator's powers and duties. When there is more than one arbitrator and a difference arises among them concerning the meaning or application of these rules, it shall be decided by a majority vote. If that is not possible, either an arbitrator or a party may refer the question to the AAA for final decision. All other rules shall be interpreted and applied by the AAA.

R-9. Mediation

In all cases where a claim or counterclaim exceeds $75,000, upon the AAA's administration of the arbitration or at any time while the arbitration is pending, the parties shall mediate their dispute pursuant to the applicable provisions of the AAA's Commercial Mediation Procedures, or as otherwise agreed by the parties. Absent an agreement of the parties to the contrary, the mediation shall take place concurrently with the arbitration and shall not serve to delay the arbitration proceedings. However, any party to an arbitration may unilaterally opt out of this rule upon notification to the AAA and the other parties to the arbitration. The parties shall confirm the completion of any mediation or any decision to opt out of this rule to the AAA. Unless agreed to by all parties and the mediator, the mediator shall not be appointed as an arbitrator to the case.

R-10. Administrative Conference

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 arbitrator selection, mediation of the dispute, potential exchange of information, a timetable for hearings, and any other administrative matters.

R-11. Fixing of Locale

The parties may mutually agree on the locale where the arbitration is to be held. Any disputes regarding the locale that are to be decided by the AAA must be submitted to the AAA and all other parties within 14 calendar days from the date of the AAA's initiation of the case or the date established by the AAA. Disputes regarding locale shall be determined in the following manner:

(a) When the parties' arbitration agreement is silent with respect to locale, and if the parties disagree as to the locale, the AAA may initially determine the place of

arbitration, subject to the power of the arbitrator after appointment, to make a final determination on the locale.

(b) When the parties' arbitration agreement requires a specific locale, absent the parties' agreement to change it, or a determination by the arbitrator upon appointment that applicable law requires a different locale, the locale shall be that specified in the arbitration agreement.

(c) If the reference to a locale in the arbitration agreement is ambiguous, and the parties are unable to agree to a specific locale, the AAA shall determine the locale, subject to the power of the arbitrator to finally determine the locale.

The arbitrator, at the arbitrator's sole discretion, shall have the authority to conduct special hearings for document production purposes or otherwise at other locations if reasonably necessary and beneficial to the process.

R-12. Appointment from National Roster

If the parties have not appointed an arbitrator and have not provided any other method of appointment, the arbitrator shall be appointed in the following manner:

(a) The AAA shall send simultaneously to each party to the dispute an identical list of 10 (unless the AAA decides that a different number is appropriate) names of persons chosen from the National Roster. The parties are encouraged to agree to an arbitrator from the submitted list and to advise the AAA of their agreement.

(b) If the parties are unable to agree upon an arbitrator, each party to the dispute shall have 14 calendar days from the transmittal date in which to strike names objected to, number the remaining names in order of preference, and return the list to the AAA. The parties are not required to exchange selection lists. If a party does not return the list within the time specified, all persons named therein shall be deemed acceptable to that party. From among the persons who have been approved on both lists, and in accordance with the designated order of mutual preference, the AAA shall invite the acceptance of an arbitrator to serve. If the parties fail to agree on any of the persons named, or if acceptable arbitrators are unable to act, or if for any other reason the appointment cannot be made from the submitted lists, the AAA shall have the power to make the appointment from among other members of the National Roster without the submission of additional lists.

(c) Unless the parties agree otherwise, when there are two or more claimants or two or more respondents, the AAA may appoint all the arbitrators.

R-13. Direct Appointment by a Party

(a) If the agreement of the parties names an arbitrator or specifies a method of appointing an arbitrator, that designation or method shall be followed. The notice of appointment, with the name and address of the arbitrator, shall be filed with the AAA by the appointing party. Upon the request of any appointing party, the AAA shall submit a list of members of the National Roster from which the party may, if it so desires, make the appointment.

(b) Where the parties have agreed that each party is to name one arbitrator, the arbitrators so named must meet the standards of Section R-18 with respect to impartiality and independence unless the parties have specifically agreed pursuant to Section R-18(b) that the party-appointed arbitrators are to be non-neutral and need not meet those standards.

(c) If the agreement specifies a period of time within which an arbitrator shall be appointed and any party fails to make the appointment within that period, the AAA shall make the appointment.

(d) If no period of time is specified in the agreement, the AAA shall notify the party to make the appointment. If within 14 calendar days after such notice has been sent, an arbitrator has not been appointed by a party, the AAA shall make the appointment.

R-14. Appointment of Chairperson by Party-Appointed Arbitrators or Parties

(a) If, pursuant to Section R-13, either the parties have directly appointed arbitrators, or the arbitrators have been appointed by the AAA, and the parties have authorized them to appoint a chairperson within a specified time and no appointment is made within that time or any agreed extension, the AAA may appoint the chairperson.

(b) If no period of time is specified for appointment of the chairperson, and the party-appointed arbitrators or the parties do not make the appointment within 14 calendar days from the date of the appointment of the last party-appointed arbitrator, the AAA may appoint the chairperson.

(c) If the parties have agreed that their party-appointed arbitrators shall appoint the chairperson from the National Roster, the AAA shall furnish to the party-appointed arbitrators, in the manner provided in Section R-12, a list selected from the National Roster, and the appointment of the chairperson shall be made as provided in that Section.

R-15. Nationality of Arbitrator

Where the parties are nationals of different countries, the AAA, at the request of any party or on its own initiative, may appoint as arbitrator a national of a country other than that of any of the parties. The request must be made before the time set for the appointment of the arbitrator as agreed by the parties or set by these rules.

R-16. Number of Arbitrators

(a) If the arbitration agreement does not specify the number of arbitrators, the dispute shall be heard and determined by one arbitrator, unless the AAA, in its discretion, directs that three arbitrators be appointed. A party may request three arbitrators in the Demand or Answer, which request the AAA will consider in exercising its discretion regarding the number of arbitrators appointed to the dispute.

(b) Any request for a change in the number of arbitrators as a result of an increase or decrease in the amount of a claim or a new or different claim must be made to the AAA and other parties to the arbitration no later than seven calendar days after receipt of the R-6 required notice of change of claim amount. If the parties are unable to agree with respect to the request for a change in the number of arbitrators, the AAA shall make that determination.

R-17. Disclosure

(a) Any person appointed or to be appointed as an arbitrator, as well as the parties and their representatives, shall disclose to the AAA any circumstance likely to give rise to justifiable doubt as to the arbitrator's impartiality or independence, including any bias or any financial or personal interest in the result of the arbitration or any past or present relationship with the parties or their representatives. Such obligation shall remain in effect throughout the arbitration. Failure on the part of a party or a representative to comply with the requirements of this rule may result in the waiver of the right to object to an arbitrator in accordance with Rule R-41.

(b) Upon receipt of such information from the arbitrator or another source, the AAA shall communicate the information to the parties and, if it deems it appropriate to do so, to the arbitrator and others.

(c) Disclosure of information pursuant to this Section R-17 is not an indication that the arbitrator considers that the disclosed circumstance is likely to affect impartiality or independence.

R-18. Disqualification of Arbitrator

(a) Any arbitrator shall be impartial and independent and shall perform his or her duties with diligence and in good faith, and shall be subject to disqualification for:

- **i.** partiality or lack of independence,
- **ii.** inability or refusal to perform his or her duties with diligence and in good faith, and
- **iii.** any grounds for disqualification provided by applicable law.

(b) The parties may agree in writing, however, that arbitrators directly appointed by a party pursuant to Section R-13 shall be non-neutral, in which case such arbitrators need not be impartial or independent and shall not be subject to disqualification for partiality or lack of independence.

(c) Upon objection of a party to the continued service of an arbitrator, or on its own initiative, the AAA shall determine whether the arbitrator should be disqualified under the grounds set out above, and shall inform the parties of its decision, which decision shall be conclusive.

R-19. Communication with Arbitrator

(a) No party and no one acting on behalf of any party shall communicate *ex parte* with an arbitrator or a candidate for arbitrator concerning the arbitration, except that a party, or someone acting on behalf of a party, may communicate *ex parte* with a candidate for direct appointment pursuant to R-13 in order to advise the candidate of the general nature of the controversy and of the anticipated proceedings and to discuss the candidate's qualifications, availability, or independence in relation to the parties or to discuss the suitability of candidates for selection as a third arbitrator where the parties or party-designated arbitrators are to participate in that selection.

(b) Section R-19(a) does not apply to arbitrators directly appointed by the parties who, pursuant to Section R-18(b), the parties have agreed in writing are non-neutral. Where the parties have so agreed under Section R-18(b), the AAA shall as an administrative practice suggest to the parties that they agree further that Section R-19(a) should nonetheless apply prospectively.

(c) In the course of administering an arbitration, the AAA may initiate communications with each party or anyone acting on behalf of the parties either jointly or individually.

(d) As set forth in R-43, unless otherwise instructed by the AAA or by the arbitrator, any documents submitted by any party or to the arbitrator shall simultaneously be provided to the other party or parties to the arbitration.

R-20. Vacancies

(a) If for any reason an arbitrator is unable or unwilling to perform the duties of the office, the AAA may, on proof satisfactory to it, declare the office vacant. Vacancies shall be filled in accordance with the applicable provisions of these rules.

(b) In the event of a vacancy in a panel of neutral arbitrators after the hearings have commenced, the remaining arbitrator or arbitrators may continue with the hearing and determination of the controversy, unless the parties agree otherwise.

(c) In the event of the appointment of a substitute arbitrator, the panel of arbitrators shall determine in its sole discretion whether it is necessary to repeat all or part of any prior hearings.

R-21. Preliminary Hearing

(a) At the discretion of the arbitrator, and depending on the size and complexity of the arbitration, a preliminary hearing should be scheduled as soon as practicable after the arbitrator has been appointed. The parties should be invited to attend the preliminary hearing along with their representatives. The preliminary hearing may be conducted in person or by telephone.

(b) At the preliminary hearing, the parties and the arbitrator should be prepared to discuss and establish a procedure for the conduct of the arbitration that is appropriate to achieve a fair, efficient, and economical resolution of the dispute. Sections P-1 and P-2 of these rules address the issues to be considered at the preliminary hearing.

R-22. Pre-Hearing Exchange and Production of Information

(a) *Authority of arbitrator.* The arbitrator shall manage any necessary exchange of information among the parties with a view to achieving an efficient and economical resolution of the dispute, while at the same time promoting equality of treatment and safeguarding each party's opportunity to fairly present its claims and defenses.

(b) *Documents.* The arbitrator may, on application of a party or on the arbitrator's own initiative:

- **i.** require the parties to exchange documents in their possession or custody on which they intend to rely;
- **ii.** require the parties to update their exchanges of the documents on which they intend to rely as such documents become known to them;
- **iii.** require the parties, in response to reasonable document requests, to make available to the other party documents, in the responding party's possession or custody, not otherwise readily available to the party seeking the documents, reasonably believed by the party seeking the documents to exist and to be relevant and material to the outcome of disputed issues; and

iv. require the parties, when documents to be exchanged or produced are maintained in electronic form, to make such documents available in the form most convenient and economical for the party in possession of such documents, unless the arbitrator determines that there is good cause for requiring the documents to be produced in a different form. The parties should attempt to agree in advance upon, and the arbitrator may determine, reasonable search parameters to balance the need for production of electronically stored documents relevant and material to the outcome of disputed issues against the cost of locating and producing them.

R-23. Enforcement Powers of the Arbitrator

The arbitrator shall have the authority to issue any orders necessary to enforce the provisions of rules R-21 and R-22 and to otherwise achieve a fair, efficient and economical resolution of the case, including, without limitation:

(a) conditioning any exchange or production of confidential documents and information, and the admission of confidential evidence at the hearing, on appropriate orders to preserve such confidentiality;

(b) imposing reasonable search parameters for electronic and other documents if the parties are unable to agree;

(c) allocating costs of producing documentation, including electronically stored documentation;

(d) in the case of willful non-compliance with any order issued by the arbitrator, drawing adverse inferences, excluding evidence and other submissions, and/or making special allocations of costs or an interim award of costs arising from such non-compliance; and

(e) issuing any other enforcement orders which the arbitrator is empowered to issue under applicable law.

R-24. Date, Time, and Place of Hearing

The arbitrator shall set the date, time, and place for each hearing. The parties shall respond to requests for hearing dates in a timely manner, be cooperative in scheduling the earliest practicable date, and adhere to the established hearing schedule. The AAA shall send a notice of hearing to the parties at least 10 calendar days in advance of the hearing date, unless otherwise agreed by the parties.

R-25. Attendance at Hearings

The arbitrator and the AAA shall maintain the privacy of the hearings unless the law provides to the contrary. Any person having a direct interest in the arbitration is entitled to attend hearings. The arbitrator shall otherwise have the power to require the exclusion of any witness, other than a party or other essential person, during the testimony of any other witness. It shall be discretionary with the arbitrator to determine the propriety of the attendance of any other person.

R-26. Representation

Any party may participate without representation (*pro se*), or by counsel or any other representative of the party's choosing, unless such choice is prohibited by applicable law. A party intending to be so represented shall notify the other party and the AAA of the name, telephone number and address, and email address if available, of the representative at least seven calendar days prior to the date set for the hearing at which that person is first to appear. When such a representative initiates an arbitration or responds for a party, notice is deemed to have been given.

R-27. Oaths

Before proceeding with the first hearing, each arbitrator may take an oath of office and, if required by law, shall do so. The arbitrator may require witnesses to testify under oath administered by any duly qualified person and, if it is required by law or requested by any party, shall do so.

R-28. Stenographic Record

(a) Any party desiring a stenographic record shall make arrangements directly with a stenographer and shall notify the other parties of these arrangements at least three calendar days in advance of the hearing. The requesting party or parties shall pay the cost of the record.

(b) No other means of recording the proceedings will be permitted absent the agreement of the parties or per the direction of the arbitrator.

(c) If the transcript or any other recording is agreed by the parties or determined by the arbitrator to be the official record of the proceeding, it must be provided to the arbitrator and made available to the other parties for inspection, at a date, time, and place determined by the arbitrator.

(d) The arbitrator may resolve any disputes with regard to apportionment of the costs of the stenographic record or other recording.

R-29. Interpreters

Any party wishing an interpreter shall make all arrangements directly with the interpreter and shall assume the costs of the service.

R-30. Postponements

The arbitrator may postpone any hearing upon agreement of the parties, upon request of a party for good cause shown, or upon the arbitrator's own initiative.

R-31. Arbitration in the Absence of a Party or Representative

Unless the law provides to the contrary, the arbitration may proceed in the absence of any party or representative who, after due notice, fails to be present or fails to obtain a postponement. An award shall not be made solely on the default of a party. The arbitrator shall require the party who is present to submit such evidence as the arbitrator may require for the making of an award.

R-32. Conduct of Proceedings

(a) The claimant shall present evidence to support its claim. The respondent shall then present evidence to support its defense. Witnesses for each party shall also submit to questions from the arbitrator and the adverse party. The arbitrator has the discretion to vary this procedure, provided that the parties are treated with equality and that each party has the right to be heard and is given a fair opportunity to present its case.

(b) The arbitrator, exercising his or her discretion, shall conduct the proceedings with a view to expediting the resolution of the dispute and may direct the order of proof, bifurcate proceedings and direct the parties to focus their presentations on issues the decision of which could dispose of all or part of the case.

(c) When deemed appropriate, the arbitrator may also allow for the presentation of evidence by alternative means including video conferencing, internet communication, telephonic conferences and means other than an in-person presentation. Such alternative means must afford a full opportunity for all parties to present any evidence that the arbitrator deems material and relevant to the resolution of the dispute and, when involving witnesses, provide an opportunity for cross-examination.

(d) The parties may agree to waive oral hearings in any case and may also agree to utilize the Procedures for Resolution of Disputes Through Document Submission, found in Rule E-6.

R-33. Dispositive Motions

The arbitrator may allow the filing of and make rulings upon a dispositive motion only if the arbitrator determines that the moving party has shown that the motion is likely to succeed and dispose of or narrow the issues in the case.

R-34. Evidence

(a) The parties may offer such evidence as is relevant and material to the dispute and shall produce such evidence as the arbitrator may deem necessary to an understanding and determination of the dispute. Conformity to legal rules of evidence shall not be necessary. All evidence shall be taken in the presence of all of the arbitrators and all of the parties, except where any of the parties is absent, in default, or has waived the right to be present.

(b) The arbitrator shall determine the admissibility, relevance, and materiality of the evidence offered and may exclude evidence deemed by the arbitrator to be cumulative or irrelevant.

(c) The arbitrator shall take into account applicable principles of legal privilege, such as those involving the confidentiality of communications between a lawyer and client.

(d) An arbitrator or other person authorized by law to subpoena witnesses or documents may do so upon the request of any party or independently.

R-35. Evidence by Written Statements and Post-Hearing Filing of Documents or Other Evidence

(a) At a date agreed upon by the parties or ordered by the arbitrator, the parties shall give written notice for any witness or expert witness who has provided a written witness statement to appear in person at the arbitration hearing for examination. If such notice is given, and the witness fails to appear, the arbitrator may disregard the written witness statement and/or expert report of the witness or make such other order as the arbitrator may consider to be just and reasonable.

(b) If a witness whose testimony is represented by a party to be essential is unable or unwilling to testify at the hearing, either in person or through electronic or other means, either party may request that the arbitrator order the witness to appear in person for examination before the arbitrator at a time and location where the witness is willing and able to appear voluntarily or can legally be compelled to do so. Any such order may be conditioned upon payment by the requesting party of all reasonable costs associated with such examination.

(c) If the parties agree or the arbitrator directs that documents or other evidence be submitted to the arbitrator after the hearing, the documents or other evidence shall be filed with the AAA for transmission to the arbitrator. All parties shall be afforded an opportunity to examine and respond to such documents or other evidence.

R-36. Inspection or Investigation

An arbitrator finding it necessary to make an inspection or investigation in connection with the arbitration shall direct the AAA to so advise the parties. The arbitrator shall set the date and time and the AAA shall notify the parties. Any party who so desires may be present at such an inspection or investigation. In the event that one or all parties are not present at the inspection or investigation, the arbitrator shall make an oral or written report to the parties and afford them an opportunity to comment.

R-37. Interim Measures

(a) The arbitrator may take whatever interim measures he or she deems necessary, including injunctive relief and measures for the protection or conservation of property and disposition of perishable goods.

(b) Such interim measures may take the form of an interim award, and the arbitrator may require security for the costs of such measures.

(c) A request for interim measures addressed by a party to a judicial authority shall not be deemed incompatible with the agreement to arbitrate or a waiver of the right to arbitrate.

R-38. Emergency Measures of Protection

(a) Unless the parties agree otherwise, the provisions of this rule shall apply to arbitrations conducted under arbitration clauses or agreements entered on or after October 1, 2013.

(b) A party in need of emergency relief prior to the constitution of the panel shall notify the AAA and all other parties in writing of the nature of the relief sought and the reasons why such relief is required on an emergency basis. The application shall also set forth the reasons why the party is entitled to such relief. Such notice may be given by facsimile or e-mail or other reliable means, but must include a statement certifying that all other parties have been notified or an explanation of the steps taken in good faith to notify other parties.

(c) Within one business day of receipt of notice as provided in section (b), the AAA shall appoint a single emergency arbitrator designated to rule on emergency applications. The emergency arbitrator shall immediately disclose any circumstance likely, on the basis of the facts disclosed on the application, to affect such arbitrator's impartiality or independence. Any challenge to the appointment of the emergency arbitrator must be made within one business day of the communication by the AAA to the parties of the appointment of the emergency arbitrator and the circumstances disclosed.

(d) The emergency arbitrator shall as soon as possible, but in any event within two business days of appointment, establish a schedule for consideration of the application for emergency relief. Such a schedule shall provide a reasonable opportunity to all parties to be heard, but may provide for proceeding by telephone or video conference or on written submissions as alternatives to a formal hearing. The emergency arbitrator shall have the authority vested in the tribunal under Rule 7, including the authority to rule on her/his own jurisdiction, and shall resolve any disputes over the applicability of this Rule 38.

(e) If after consideration the emergency arbitrator is satisfied that the party seeking the emergency relief has shown that immediate and irreparable loss or damage shall result in the absence of emergency relief, and that such party is entitled to such relief, the emergency arbitrator may enter an interim order or award granting the relief and stating the reason therefore.

(f) Any application to modify an interim award of emergency relief must be based on changed circumstances and may be made to the emergency arbitrator until the panel is constituted; thereafter such a request shall be addressed to the panel. The emergency arbitrator shall have no further power to act after the panel is constituted unless the parties agree that the emergency arbitrator is named as a member of the panel.

(g) Any interim award of emergency relief may be conditioned on provision by the party seeking such relief for appropriate security.

(h) A request for interim measures addressed by a party to a judicial authority shall not be deemed incompatible with this rule, the agreement to arbitrate or a waiver of the right to arbitrate. If the AAA is directed by a judicial authority to nominate a special master to consider and report on an application for emergency relief, the AAA shall proceed as provided in this rule and the references to the emergency arbitrator shall be read to mean the special master, except that the special master shall issue a report rather than an interim award.

(i) The costs associated with applications for emergency relief shall initially be apportioned by the emergency arbitrator or special master, subject to the power of the tribunal to determine finally the apportionment of such costs.

R-39. Closing of Hearing

(a) 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 hearing closed.

(b) If documents or responses are to be filed as provided in Rule R-35, or if briefs are to be filed, the hearing shall be declared closed as of the final date set by the arbitrator for the receipt of briefs. If no documents, responses, or briefs are to be filed, the arbitrator shall declare the hearings closed as of the date of the last hearing (including telephonic hearings). If the case was heard without any oral hearings, the arbitrator shall close the hearings upon the due date established for receipt of the final submission.

(c) The time limit within which the arbitrator is required to make the award shall commence, in the absence of other agreements by the parties, upon the closing of the hearing. The AAA may extend the time limit for rendering of the award only in unusual and extreme circumstances.

R-40. Reopening of Hearing

The hearing may be reopened on the arbitrator's initiative, or by the direction of the arbitrator upon application of a party, at any time before the award is made. If reopening the hearing would prevent the making of the award within the specific time agreed to by the parties in the arbitration agreement, the matter may not be reopened unless the parties agree to an extension of time. When no specific date is fixed by agreement of the parties , the arbitrator shall have 30 calendar days from the closing of the reopened hearing within which to make an award (14 calendar days if the case is governed by the Expedited Procedures).

R-41. Waiver of Rules

Any party who proceeds with the arbitration after knowledge that any provision or requirement of these rules has not been complied with and who fails to state an objection in writing shall be deemed to have waived the right to object.

R-42. Extensions of Time

The parties may modify any period of time by mutual agreement. The AAA or the arbitrator may for good cause extend any period of time established by these rules, except the time for making the award. The AAA shall notify the parties of any extension.

R-43. Serving of Notice and Communications

(a) Any papers, notices, or process necessary or proper for the initiation or continuation of an arbitration under these rules, for any court action in connection therewith, or for the entry of judgment on any award made under these rules may be served on a party by mail addressed to the party or its representative at the last known address or by personal service, in or outside the state where the arbitration is to be held, provided that reasonable opportunity to be heard with regard to the dispute is or has been granted to the party.

(b) The AAA, the arbitrator and the parties may also use overnight delivery or electronic facsimile transmission (fax), or electronic (e-mail) to give the notices required by these rules. Where all parties and the arbitrator agree, notices may be transmitted by e-mail or other methods of communication.

(c) Unless otherwise instructed by the AAA or by the arbitrator, any documents submitted by any party to the AAA or to the arbitrator shall simultaneously be provided to the other party or parties to the arbitration.

(d) Unless otherwise instructed by the AAA or by the arbitrator, all written communications made by any party to the AAA or to the arbitrator shall simultaneously be provided to the other party or parties to the arbitration.

(e) Failure to provide the other party with copies of communications made to the AAA or to the arbitrator may prevent the AAA or the arbitrator from acting on any requests or objections contained therein.

(f) The AAA may direct that any oral or written communications that are sent by a party or their representative shall be sent in a particular manner. The failure of a party or their representative to do so may result in the AAA's refusal to consider the issue raised in the communication.

R-44. Majority Decision

(a) When the panel consists of more than one arbitrator, unless required by law or by the arbitration agreement or section (b) of this rule, a majority of the arbitrators must make all decisions.

(b) Where there is a panel of three arbitrators, absent an objection of a party or another member of the panel, the chairperson of the panel is authorized to resolve any disputes related to the exchange of information or procedural matters without the need to consult the full panel.

R-45. Time of Award

The award shall be made promptly by the arbitrator and, unless otherwise agreed by the parties or specified by law, no later than 30 calendar days from the date of closing the hearing, or, if oral hearings have been waived, from the due date set for receipt of the parties' final statements and proofs.

R-46. Form of Award

(a) Any award shall be in writing and signed by a majority of the arbitrators. It shall be executed in the form and manner required by law.

(b) The arbitrator need not render a reasoned award unless the parties request such an award in writing prior to appointment of the arbitrator or unless the arbitrator determines that a reasoned award is appropriate.

R-47. Scope of Award

(a) The arbitrator may grant any remedy or relief that the arbitrator deems just and equitable and within the scope of the agreement of the parties, including, but not limited to, specific performance of a contract.

(b) In addition to a final award, the arbitrator may make other decisions, including interim, interlocutory, or partial rulings, orders, and awards. In any interim, interlocutory, or partial award, the arbitrator may assess and apportion the fees, expenses, and compensation related to such award as the arbitrator determines is appropriate.

(c) In the final award, the arbitrator shall assess the fees, expenses, and compensation provided in Sections R-53, R-54, and R-55. The arbitrator may apportion such fees, expenses, and compensation among the parties in such amounts as the arbitrator determines is appropriate.

(d) The award of the arbitrator(s) may include:

- **i.** interest at such rate and from such date as the arbitrator(s) may deem appropriate; and
- **ii.** an award of attorneys' fees if all parties have requested such an award or it is authorized by law or their arbitration agreement.

R-48. Award Upon Settlement—Consent Award

(a) If the parties settle their dispute during the course of the arbitration and if the parties so request, the arbitrator may set forth the terms of the settlement in a "consent award." A consent award must include an allocation of arbitration costs, including administrative fees and expenses as well as arbitrator fees and expenses.

(b) The consent award shall not be released to the parties until all administrative fees and all arbitrator compensation have been paid in full.

R-49. Delivery of Award to Parties

Parties shall accept as notice and delivery of the award the placing of the award or a true copy thereof in the mail addressed to the parties or their representatives at their last known addresses, personal or electronic service of the award, or the filing of the award in any other manner that is permitted by law.

R-50. Modification of Award

Within 20 calendar days after the transmittal of an award, any party, upon notice to the other parties, may request the arbitrator, through the AAA, to correct any clerical, typographical, or computational errors in the award. The arbitrator is not empowered to redetermine the merits of any claim already decided. The other

parties shall be given 10 calendar days to respond to the request. The arbitrator shall dispose of the request within 20 calendar days after transmittal by the AAA to the arbitrator of the request and any response thereto.

R-51. Release of Documents for Judicial Proceedings

The AAA shall, upon the written request of a party to the arbitration, furnish to the party, at its expense, copies or certified copies of any papers in the AAA's possession that are not determined by the AAA to be privileged or confidential.

R-52. Applications to Court and Exclusion of Liability

(a) No judicial proceeding by a party relating to the subject matter of the arbitration shall be deemed a waiver of the party's right to arbitrate.

(b) Neither the AAA nor any arbitrator in a proceeding under these rules is a necessary or proper party in judicial proceedings relating to the arbitration.

(c) Parties to an arbitration under these rules shall be deemed to have consented that judgment upon the arbitration award may be entered in any federal or state court having jurisdiction thereof.

(d) Parties to an arbitration under these rules shall be deemed to have consented that neither the AAA nor any arbitrator shall be liable to any party in any action for damages or injunctive relief for any act or omission in connection with any arbitration under these rules.

(e) Parties to an arbitration under these rules may not call the arbitrator, the AAA, or AAA employees as a witness in litigation or any other proceeding relating to the arbitration. The arbitrator, the AAA and AAA employees are not competent to testify as witnesses in any such proceeding.

R-53. Administrative Fees

As a not-for-profit organization, the AAA shall prescribe administrative fees to compensate it for the cost of providing administrative services. The fees in effect when the fee or charge is incurred shall be applicable. The filing fee shall be advanced by the party or parties making a claim or counterclaim, subject to final apportionment by the arbitrator in the award. The AAA may, in the event of extreme hardship on the part of any party, defer or reduce the administrative fees.

R-54. Expenses

The expenses of witnesses for either side shall be paid by the party producing such witnesses. All other expenses of the arbitration, including required travel and other expenses of the arbitrator, AAA representatives, and any witness and

the cost of any proof produced at the direct request of the arbitrator, shall be borne equally by the parties, unless they agree otherwise or unless the arbitrator in the award assesses such expenses or any part thereof against any specified party or parties.

R-55. Neutral Arbitrator's Compensation

(a) Arbitrators shall be compensated at a rate consistent with the arbitrator's stated rate of compensation.

(b) If there is disagreement concerning the terms of compensation, an appropriate rate shall be established with the arbitrator by the AAA and confirmed to the parties.

(c) Any arrangement for the compensation of a neutral arbitrator shall be made through the AAA and not directly between the parties and the arbitrator.

R-56. Deposits

(a) The AAA may require the parties to deposit in advance of any hearings such sums of money as it deems necessary to cover the expense of the arbitration, including the arbitrator's fee, if any, and shall render an accounting to the parties and return any unexpended balance at the conclusion of the case.

(b) Other than in cases where the arbitrator serves for a flat fee, deposit amounts requested will be based on estimates provided by the arbitrator. The arbitrator will determine the estimated amount of deposits using the information provided by the parties with respect to the complexity of each case.

(c) Upon the request of any party, the AAA shall request from the arbitrator an itemization or explanation for the arbitrator's request for deposits.

R-57. Remedies for Nonpayment

If arbitrator compensation or administrative charges have not been paid in full, the AAA may so inform the parties in order that one of them may advance the required payment.

(a) Upon receipt of information from the AAA that payment for administrative charges or deposits for arbitrator compensation have not been paid in full, to the extent the law allows, a party may request that the arbitrator take specific measures relating to a party's non-payment.

(b) Such measures may include, but are not limited to, limiting a party's ability to assert or pursue their claim. In no event, however, shall a party be precluded from defending a claim or counterclaim.

(c) The arbitrator must provide the party opposing a request for such measures with the opportunity to respond prior to making any ruling regarding the same.

(d) In the event that the arbitrator grants any request for relief which limits any party's participation in the arbitration, the arbitrator shall require the party who is making a claim and who has made appropriate payments to submit such evidence as the arbitrator may require for the making of an award.

(e) Upon receipt of information from the AAA that full payments have not been received, the arbitrator, on the arbitrator's own initiative or at the request of the AAA or a party, may order the suspension of the arbitration. If no arbitrator has yet been appointed, the AAA may suspend the proceedings.

(f) If the arbitration has been suspended by either the AAA or the arbitrator and the parties have failed to make the full deposits requested within the time provided after the suspension, the arbitrator, or the AAA if an arbitrator has not been appointed, may terminate the proceedings.

R-58. Sanctions

(a) The arbitrator may, upon a party's request, order appropriate sanctions where a party fails to comply with its obligations under these rules or with an order of the arbitrator. In the event that the arbitrator enters a sanction that limits any party's participation in the arbitration or results in an adverse determination of an issue or issues, the arbitrator shall explain that order in writing and shall require the submission of evidence and legal argument prior to making of an award. The arbitrator may not enter a default award as a sanction.

(b) The arbitrator must provide a party that is subject to a sanction request with the opportunity to respond prior to making any determination regarding the sanctions application.

Preliminary Hearing Procedures

P-1. General

(a) In all but the simplest cases, holding a preliminary hearing as early in the process as possible will help the parties and the arbitrator organize the proceeding in a manner that will maximize efficiency and economy, and will provide each party a fair opportunity to present its case.

(b) Care must be taken to avoid importing procedures from court systems, as such procedures may not be appropriate to the conduct of arbitrations as an alternative form of dispute resolution that is designed to be simpler, less expensive and more expeditious.

P-2. Checklist

(a) The following checklist suggests subjects that the parties and the arbitrator should address at the preliminary hearing, in addition to any others that the parties or the arbitrator believe to be appropriate to the particular case. The items to be addressed in a particular case will depend on the size, subject matter, and complexity of the dispute, and are subject to the discretion of the arbitrator:

- **(i)** the possibility of other non-adjudicative methods of dispute resolution, including mediation pursuant to R-9;
- **(ii)** whether all necessary or appropriate parties are included in the arbitration;
- **(iii)** whether a party will seek a more detailed statement of claims, counterclaims or defenses;
- **(iv)** whether there are any anticipated amendments to the parties' claims, counterclaims, or defenses;
- **(v)** which
  - **(a)** arbitration rules;
  - **(b)** procedural law; and
  - **(c)** substantive law govern the arbitration;
- **(vi)** whether there are any threshold or dispositive issues that can efficiently be decided without considering the entire case, including without limitation,
  - **(a)** any preconditions that must be satisfied before proceeding with the arbitration;
  - **(b)** whether any claim or counterclaim falls outside the arbitrator's jurisdiction or is otherwise not arbitrable;
  - **(c)** consolidation of the claims or counterclaims with another arbitration; or
  - **(d)** bifurcation of the proceeding.

(vii) whether the parties will exchange documents, including electronically stored documents, on which they intend to rely in the arbitration, and/or make written requests for production of documents within defined parameters;

(viii) whether to establish any additional procedures to obtain information that is relevant and material to the outcome of disputed issues;

(ix) how costs of any searches for requested information or documents that would result in substantial costs should be borne;

(x) whether any measures are required to protect confidential information;

(xi) whether the parties intend to present evidence from expert witnesses, and if so, whether to establish a schedule for the parties to identify their experts and exchange expert reports;

(xii) whether, according to a schedule set by the arbitrator, the parties will

(a) identify all witnesses, the subject matter of their anticipated testimonies, exchange written witness statements, and determine whether written witness statements will replace direct testimony at the hearing;

(b) exchange and pre-mark documents that each party intends to submit; and

(c) exchange pre-hearing submissions, including exhibits;

(xiii) the date, time and place of the arbitration hearing;

(xiv) whether, at the arbitration hearing,

(a) testimony may be presented in person, in writing, by videoconference, via the internet, telephonically, or by other reasonable means;

(b) there will be a stenographic transcript or other record of the proceeding and, if so, who will make arrangements to provide it;

(xv) whether any procedure needs to be established for the issuance of subpoenas;

(xvi) the identification of any ongoing, related litigation or arbitration;

(xvii) whether post-hearing submissions will be filed;

(xviii) the form of the arbitration award; and

(xix) any other matter the arbitrator considers appropriate or a party wishes to raise.

(b) The arbitrator shall issue a written order memorializing decisions made and agreements reached during or following the preliminary hearing.

Expedited Procedures

E-1. Limitation on Extensions

Except in extraordinary circumstances, the AAA or the arbitrator may grant a party no more than one seven-day extension of time to respond to the Demand for Arbitration or counterclaim as provided in Section R-5.

E-2. Changes of Claim or Counterclaim

A claim or counterclaim may be increased in amount, or a new or different claim or counterclaim added, upon the agreement of the other party, or the consent of the arbitrator. After the arbitrator is appointed, however, no new or different claim or counterclaim may be submitted except with the arbitrator's consent. If an increased claim or counterclaim exceeds $75,000, the case will be administered under the regular procedures unless all parties and the arbitrator agree that the case may continue to be processed under the Expedited Procedures.

E-3. Serving of Notices

In addition to notice provided by Section R-43, the parties shall also accept notice by telephone. Telephonic notices by the AAA shall subsequently be confirmed in writing to the parties. Should there be a failure to confirm in writing any such oral notice, the proceeding shall nevertheless be valid if notice has, in fact, been given by telephone.

E-4. Appointment and Qualifications of Arbitrator

(a) The AAA shall simultaneously submit to each party an identical list of five proposed arbitrators drawn from its National Roster from which one arbitrator shall be appointed.

(b) The parties are encouraged to agree to an arbitrator from this list and to advise the AAA of their agreement. If the parties are unable to agree upon an arbitrator, each party may strike two names from the list and return it to the AAA within seven days from the date of the AAA's mailing to the parties. If for any reason the appointment of an arbitrator cannot be made from the list, the AAA may make the appointment from other members of the panel without the submission of additional lists.

(c) The parties will be given notice by the AAA of the appointment of the arbitrator, who shall be subject to disqualification for the reasons specified in Section R-18. The parties shall notify the AAA within seven calendar days of any objection to the arbitrator appointed. Any such objection shall be for cause and shall be confirmed in writing to the AAA with a copy to the other party or parties.

E-5. Exchange of Exhibits

At least two business days prior to the hearing, the parties shall exchange copies of all exhibits they intend to submit at the hearing. The arbitrator shall resolve disputes concerning the exchange of exhibits.

E-6. Proceedings on Documents and Procedures for the Resolution of Disputes Through Document Submission

Where no party's claim exceeds $25,000, exclusive of interest, attorneys' fees and arbitration costs, and other cases in which the parties agree, the dispute shall be resolved by submission of documents, unless any party requests an oral hearing, or the arbitrator determines that an oral hearing is necessary. Where cases are resolved by submission of documents, the following procedures may be utilized at the agreement of the parties or the discretion of the arbitrator:

(a) Within 14 calendar days of confirmation of the arbitrator's appointment, the arbitrator may convene a preliminary management hearing, via conference call, video conference, or internet, to establish a fair and equitable procedure for the submission of documents, and, if the arbitrator deems appropriate, a schedule for one or more telephonic or electronic conferences.

(b) The arbitrator has the discretion to remove the case from the documents-only process if the arbitrator determines that an in-person hearing is necessary.

(c) If the parties agree to in-person hearings after a previous agreement to proceed under this rule, the arbitrator shall conduct such hearings. If a party seeks to have in-person hearings after agreeing to this rule, but there is not agreement among the parties to proceed with in-person hearings, the arbitrator shall resolve the issue after the parties have been given the opportunity to provide their respective positions on the issue.

(d) The arbitrator shall establish the date for either written submissions or a final telephonic or electronic conference. Such date shall operate to close the hearing and the time for the rendering of the award shall commence.

(e) Unless the parties have agreed to a form of award other than that set forth in rule R-46, when the parties have agreed to resolve their dispute by this rule, the arbitrator shall render the award within 14 calendar days from the date the hearing is closed.

(f) If the parties agree to a form of award other than that described in rule R-46, the arbitrator shall have 30 calendar days from the date the hearing is declared closed in which to render the award.

(g) The award is subject to all other provisions of the Regular Track of these rules which pertain to awards.

E-7. Date, Time, and Place of Hearing

In cases in which a hearing is to be held, the arbitrator shall set the date, time, and place of the hearing, to be scheduled to take place within 30 calendar days of confirmation of the arbitrator's appointment. The AAA will notify the parties in advance of the hearing date.

E-8. The Hearing

(a) Generally, the hearing shall not exceed one day. Each party shall have equal opportunity to submit its proofs and complete its case. The arbitrator shall determine the order of the hearing, and may require further submission of documents within two business days after the hearing. For good cause shown, the arbitrator may schedule additional hearings within seven business days after the initial day of hearings.

(b) Generally, there will be no stenographic record. Any party desiring a stenographic record may arrange for one pursuant to the provisions of Section R-28.

E-9. Time of Award

Unless otherwise agreed by the parties, the award shall be rendered not later than 14 calendar days from the date of the closing of the hearing or, if oral hearings have been waived, from the due date established for the receipt of the parties' final statements and proofs.

E-10. Arbitrator's Compensation

Arbitrators will receive compensation at a rate to be suggested by the AAA regional office.

Procedures for Large, Complex Commercial Disputes

L-1. Administrative Conference

Prior to the dissemination of a list of potential arbitrators, the AAA shall, unless the parties agree otherwise, conduct an administrative conference with the parties and/or their attorneys or other representatives by conference call. The conference will take place within 14 calendar days after the commencement of the arbitration. In the event the parties are unable to agree on a mutually acceptable time for the conference, the AAA may contact the parties individually to discuss the issues contemplated herein. Such administrative conference shall be conducted for the following purposes and for such additional purposes as the parties or the AAA may deem appropriate:

(a) to obtain additional information about the nature and magnitude of the dispute and the anticipated length of hearing and scheduling;

(b) to discuss the views of the parties about the technical and other qualifications of the arbitrators;

(c) to obtain conflicts statements from the parties; and

(d) to consider, with the parties, whether mediation or other non-adjudicative methods of dispute resolution might be appropriate.

L-2. Arbitrators

(a) Large, complex commercial cases shall be heard and determined by either one or three arbitrators, as may be agreed upon by the parties. With the exception in paragraph (b) below, if the parties are unable to agree upon the number of arbitrators and a claim or counterclaim involves at least $1,000,000, then three arbitrator(s) shall hear and determine the case. If the parties are unable to agree on the number of arbitrators and each claim and counterclaim is less than $1,000,000, then one arbitrator shall hear and determine the case.

(b) In cases involving the financial hardship of a party or other circumstance, the AAA at its discretion may require that only one arbitrator hear and determine the case, irrespective of the size of the claim involved in the dispute.

(c) The AAA shall appoint arbitrator(s) as agreed by the parties. If they are unable to agree on a method of appointment, the AAA shall appoint arbitrators from the Large, Complex Commercial Case Panel, in the manner provided in the regular Commercial Arbitration Rules. Absent agreement of the parties, the arbitrator(s) shall not have served as the mediator in the mediation phase of the instant proceeding.

L-3. Management of Proceedings

(a) The arbitrator shall take such steps as deemed necessary or desirable to avoid delay and to achieve a fair, speedy and cost-effective resolution of a Large, Complex Commercial Dispute.

(b) As promptly as practicable after the selection of the arbitrator(s), a preliminary hearing shall be scheduled in accordance with sections P-1 and P-2 of these rules.

(c) The parties shall exchange copies of all exhibits they intend to submit at the hearing at least 10 calendar days prior to the hearing unless the arbitrator(s) determines otherwise.

(d) The parties and the arbitrator(s) shall address issues pertaining to the pre-hearing exchange and production of information in accordance with rule R-22 of the AAA Commercial Rules, and the arbitrator's determinations on such issues shall be included within the Scheduling and Procedure Order.

(e) The arbitrator, or any single member of the arbitration tribunal, shall be authorized to resolve any disputes concerning the pre-hearing exchange and production of documents and information by any reasonable means within his discretion, including, without limitation, the issuance of orders set forth in rules R-22 and R-23 of the AAA Commercial Rules.

(f) In exceptional cases, at the discretion of the arbitrator, upon good cause shown and consistent with the expedited nature of arbitration, the arbitrator may order depositions to obtain the testimony of a person who may possess information determined by the arbitrator to be relevant and material to the outcome of the case. The arbitrator may allocate the cost of taking such a deposition.

(g) Generally, hearings will be scheduled on consecutive days or in blocks of consecutive days in order to maximize efficiency and minimize costs.

Administrative Fee Schedules (Standard and Flexible Fees)

FOR THE CURRENT ADMINISTRATIVE FEE SCHEDULE, PLEASE VISIT ***www.adr.org/feeschedule.***

Commercial Mediation Procedures

M-1. Agreement of Parties

Whenever, by stipulation or in their contract, the parties have provided for mediation or conciliation of existing or future disputes under the auspices of the American Arbitration Association or under these procedures, the parties and their representatives, unless agreed otherwise in writing, shall be deemed to have made these procedural guidelines, as amended and in effect as of the date of filing of a request for mediation, a part of their agreement and designate the AAA as the administrator of their mediation.

The parties by mutual agreement may vary any part of these procedures including, but not limited to, agreeing to conduct the mediation via telephone or other electronic or technical means.

M-2. Initiation of Mediation

Any party or parties to a dispute may initiate mediation under the AAA's auspices by making a request for mediation to any of the AAA's regional offices or case management centers via telephone, email, regular mail or fax. Requests for mediation may also be filed online via WebFile at **www.adr.org.**

The party initiating the mediation shall simultaneously notify the other party or parties of the request. The initiating party shall provide the following information to the AAA and the other party or parties as applicable:

(i) A copy of the mediation provision of the parties' contract or the parties' stipulation to mediate.

(ii) The names, regular mail addresses, email addresses, and telephone numbers of all parties to the dispute and representatives, if any, in the mediation.

(iii) A brief statement of the nature of the dispute and the relief requested.

(iv) Any specific qualifications the mediator should possess.

M-3. Representation

Subject to any applicable law, any party may be represented by persons of the party's choice. The names and addresses of such persons shall be communicated in writing to all parties and to the AAA.

M-4. Appointment of the Mediator

If the parties have not agreed to the appointment of a mediator and have not provided any other method of appointment, the mediator shall be appointed in the following manner:

(i) Upon receipt of a request for mediation, the AAA will send to each party a list of mediators from the AAA's Panel of Mediators. The parties are encouraged to agree to a mediator from the submitted list and to advise the AAA of their agreement.

(ii) If the parties are unable to agree upon a mediator, each party shall strike unacceptable names from the list, number the remaining names in order of preference, and return the list to the AAA. If a party does not return the list within the time specified, all mediators on the list shall be deemed acceptable. From among the mediators who have been mutually approved by the parties, and in accordance with the designated order of mutual preference, the AAA shall invite a mediator to serve.

(iii) If the parties fail to agree on any of the mediators listed, or if acceptable mediators are unable to serve, or if for any other reason the appointment cannot be made from the submitted list, the AAA shall have the authority to make the appointment from among other members of the Panel of Mediators without the submission of additional lists.

M-5. Mediator's Impartiality and Duty to Disclose

AAA mediators are required to abide by the *Model Standards of Conduct for Mediators* in effect at the time a mediator is appointed to a case. Where there is a conflict between the *Model Standards* and any provision of these Mediation Procedures, these Mediation Procedures shall govern. The Standards require mediators to (i) decline a mediation if the mediator cannot conduct it in an impartial manner, and (ii) disclose, as soon as practicable, all actual and potential conflicts of interest that are reasonably known to the mediator and could reasonably be seen as raising a question about the mediator's impartiality.

Prior to accepting an appointment, AAA mediators are required to make a reasonable inquiry to determine whether there are any facts that a reasonable individual would consider likely to create a potential or actual conflict of interest for the mediator. AAA mediators are required to disclose any circumstance likely to create a presumption of bias or prevent a resolution of the parties' dispute within the time-frame desired by the parties. Upon receipt of such disclosures, the AAA shall immediately communicate the disclosures to the parties for their comments.

The parties may, upon receiving disclosure of actual or potential conflicts of interest of the mediator, waive such conflicts and proceed with the mediation. In the event that a party disagrees as to whether the mediator shall serve, or in the event that the mediator's conflict of interest might reasonably be viewed as undermining the integrity of the mediation, the mediator shall be replaced.

M-6. Vacancies

If any mediator shall become unwilling or unable to serve, the AAA will appoint another mediator, unless the parties agree otherwise, in accordance with section M-4.

M-7. Duties and Responsibilities of the Mediator

(i) The mediator shall conduct the mediation based on the principle of party self-determination. Self-determination is the act of coming to a voluntary, uncoerced decision in which each party makes free and informed choices as to process and outcome.

(ii) The mediator is authorized to conduct separate or *ex parte* meetings and other communications with the parties and/or their representatives, before, during, and after any scheduled mediation conference. Such communications may be conducted via telephone, in writing, via email, online, in person or otherwise.

(iii) The parties are encouraged to exchange all documents pertinent to the relief requested. The mediator may request the exchange of memoranda on issues, including the underlying interests and the history of the parties' negotiations. Information that a party wishes to keep confidential may be sent to the mediator, as necessary, in a separate communication with the mediator.

(iv) The mediator does not have the authority to impose a settlement on the parties but will attempt to help them reach a satisfactory resolution of their dispute. Subject to the discretion of the mediator, the mediator may make oral or written recommendations for settlement to a party privately or, if the parties agree, to all parties jointly.

(v) In the event a complete settlement of all or some issues in dispute is not achieved within the scheduled mediation session(s), the mediator may continue to communicate with the parties, for a period of time, in an ongoing effort to facilitate a complete settlement.

(vi) The mediator is not a legal representative of any party and has no fiduciary duty to any party.

M-8. Responsibilities of the Parties

The parties shall ensure that appropriate representatives of each party, having authority to consummate a settlement, attend the mediation conference.

Prior to and during the scheduled mediation conference session(s) the parties and their representatives shall, as appropriate to each party's circumstances, exercise their best efforts to prepare for and engage in a meaningful and productive mediation.

M-9. Privacy

Mediation sessions and related mediation communications are private proceedings. The parties and their representatives may attend mediation sessions. Other persons may attend only with the permission of the parties and with the consent of the mediator.

M-10. Confidentiality

Subject to applicable law or the parties' agreement, confidential information disclosed to a mediator by the parties or by other participants (witnesses) in the course of the mediation shall not be divulged by the mediator. The mediator shall maintain the confidentiality of all information obtained in the mediation, and all records, reports, or other documents received by a mediator while serving in that capacity shall be confidential.

The mediator shall not be compelled to divulge such records or to testify in regard to the mediation in any adversary proceeding or judicial forum.

The parties shall maintain the confidentiality of the mediation and shall not rely on, or introduce as evidence in any arbitral, judicial, or other proceeding the following, unless agreed to by the parties or required by applicable law:

(i) Views expressed or suggestions made by a party or other participant with respect to a possible settlement of the dispute;

(ii) Admissions made by a party or other participant in the course of the mediation proceedings;

(iii) Proposals made or views expressed by the mediator; or

(iv) The fact that a party had or had not indicated willingness to accept a proposal for settlement made by the mediator.

M-11. No Stenographic Record

There shall be no stenographic record of the mediation process.

M-12. Termination of Mediation

The mediation shall be terminated:

(i) By the execution of a settlement agreement by the parties; or

(ii) By a written or verbal declaration of the mediator to the effect that further efforts at mediation would not contribute to a resolution of the parties' dispute; or

(iii) By a written or verbal declaration of all parties to the effect that the mediation proceedings are terminated; or

(iv) When there has been no communication between the mediator and any party or party's representative for 21 days following the conclusion of the mediation conference.

M-13. Exclusion of Liability

Neither the AAA nor any mediator is a necessary party in judicial proceedings relating to the mediation. Neither the AAA nor any mediator shall be liable to any party for any error, act or omission in connection with any mediation conducted under these procedures.

M-14. Interpretation and Application of Procedures

The mediator shall interpret and apply these procedures insofar as they relate to the mediator's duties and responsibilities. All other procedures shall be interpreted and applied by the AAA.

M-15. Deposits

Unless otherwise directed by the mediator, the AAA will require the parties to deposit in advance of the mediation conference such sums of money as it, in consultation with the mediator, deems necessary to cover the costs and expenses of the mediation and shall render an accounting to the parties and return any unexpended balance at the conclusion of the mediation.

M-16. Expenses

All expenses of the mediation, including required traveling and other expenses or charges of the mediator, shall be borne equally by the parties unless they agree otherwise. The expenses of participants for either side shall be paid by the party requesting the attendance of such participants.

M-17. Cost of the Mediation

FOR THE CURRENT ADMINISTRATIVE FEE SCHEDULE, PLEASE VISIT ***www.adr.org/feeschedule.***

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Doc. No. 3

United States Code Annotated
Title 35. Patents (Refs & Annos)
Part III. Patents and Protection of Patent Rights
Chapter 29. Remedies for Infringement of Patent, and Other Actions (Refs & Annos)

35 U.S.C.A. § 294

§ 294. Voluntary arbitration

Effective: September 16, 2012
Currentness

(a) A contract involving a patent or any right under a patent may contain a provision requiring arbitration of any dispute relating to patent validity or infringement arising under the contract. In the absence of such a provision, the parties to an existing patent validity or infringement dispute may agree in writing to settle such dispute by arbitration. Any such provision or agreement shall be valid, irrevocable, and enforceable, except for any grounds that exist at law or in equity for revocation of a contract.

(b) Arbitration of such disputes, awards by arbitrators and confirmation of awards shall be governed by title 9, to the extent such title is not inconsistent with this section. In any such arbitration proceeding, the defenses provided for under section 282 shall be considered by the arbitrator if raised by any party to the proceeding.

(c) An award by an arbitrator shall be final and binding between the parties to the arbitration but shall have no force or effect on any other person. The parties to an arbitration may agree that in the event a patent which is the subject matter of an award is subsequently determined to be invalid or unenforceable in a judgment rendered by a court of competent jurisdiction from which no appeal can or has been taken, such award may be modified by any court of competent jurisdiction upon application by any party to the arbitration. Any such modification shall govern the rights and obligations between such parties from the date of such modification.

(d) When an award is made by an arbitrator, the patentee, his assignee or licensee shall give notice thereof in writing to the Director. There shall be a separate notice prepared for each patent involved in such proceeding. Such notice shall set forth the names and addresses of the parties, the name of the inventor, and the name of the patent owner, shall designate the number of the patent, and shall contain a copy of the award. If an award is modified by a court, the party requesting such modification shall give notice of such modification to the Director. The Director shall, upon receipt of either notice, enter the same in the record of the prosecution of such patent. If the required notice is not filed with the Director, any party to the proceeding may provide such notice to the Director.

(e) The award shall be unenforceable until the notice required by subsection (d) is received by the Director.

CREDIT(S)

(Added Pub.L. 97-247, § 17(b)(1), Aug. 27, 1982, 96 Stat. 322; amended Pub.L. 106-113, Div. B, § 1000(a)(9) [Title IV, § 4732(a)(10)(A)], Nov. 29, 1999, 113 Stat. 1536, 1501A-582; Pub.L. 107-273, Div. C, Title III, § 13206(a)(19), (b)(1)(B), Nov. 2, 2002, 116 Stat. 1905, 1906; Pub.L. 112-29, § 20(j)(1), Sept. 16, 2011, 125 Stat. 335.)

35 U.S.C.A. § 294, 35 USCA § 294
Current through P.L. 115-231. Also includes P.L. 115-233 to 115-253, 115-255 to 115-266, 115-268, and 115-269. Title 26 current through P.L. 115-270.

End of Document

Doc. No. 4

Arbitration Discovery Protocols

JAMS Recommended Arbitration Discovery Protocols For Domestic, Commercial Cases

Effective January 6, 2010

Introduction

JAMS is committed to providing the most efficient, cost-effective arbitration process that is possible in the particular circumstances of each case. Its experienced, trained and highly qualified arbitrators are committed to: (1) being sufficiently assertive to ensure that an arbitration will be resolved much less expensively and in much less time than if it had been litigated in court; and (2) at the same time, being sufficiently patient and restrained to ensure that there is enough discovery and evidence to permit a fair result.

The JAMS Recommended Arbitration Discovery Protocols (**"**Protocols**"**), which are set forth below, provide JAMS arbitrators with an effective tool that will help them exercise their sound judgment in furtherance of achieving an efficient, cost-effective process that affords the parties a fair opportunity to be heard.

An executive summary may be downloaded **here**.

Download Arbitration Discovery Protocols

The Key Element: Good Judgment of the Arbitrator

- JAMS arbitrators understand that while some commercial arbitrations may have similarities, for the most part each case involves unique facts and circumstances. As a result, JAMS arbitrators adapt arbitration discovery to meet the unique characteristics of the particular case, understanding that there is no set of objective rules that, if followed, would result in one "correct" approach for all commercial cases.
- JAMS appreciates that the experience, talent and preferences brought to arbitration will vary with the arbitrator. It follows that the framework of arbitration discovery will always be based on the judgment of the arbitrator, brought to bear in the context of variables such as the applicable rules, the custom and practice for arbitrations in the industry in question and the expectations and preferences of the parties and their counsel.

- Attached as **Exhibit A** is a list of factors that JAMS arbitrators take into consideration when addressing the type and breadth of arbitration discovery.

Early Attention to Discovery by the Arbitrator

- JAMS understands the importance of establishing the ground rules governing an arbitration in the period immediately following the initiation of the arbitration. Therefore, following appointment, JAMS arbitrators promptly study the facts and the issues and become prepared to preside effectively over the early stages of the case in a way that will ultimately lead to an expeditious, cost-effective and fair process.

- Depending upon the provisions of the parties' agreement, JAMS arbitrations may be governed by the JAMS Comprehensive Arbitration Rules and Procedures or by the arbitration rules of another provider organization. Such rules, for good reason, lack the specificity that one finds, for example, in the Federal Rules of Civil Procedure. That being so, JAMS arbitrators seek to avoid uncertainty and surprise by ensuring that the parties understand at an early stage the basic ground rules for discovery. This early attention to the scope of discovery increases the chance that parties will adopt joint principles of fairness and efficiency before partisan positions arise in concrete discovery disputes.

- JAMS arbitrators place the type and breadth of arbitration discovery high on the agenda for the first pre-hearing conference at the start of the case. If at all possible, in-house counsel should attend the pre-hearing conference at which discovery will be discussed.

- JAMS arbitrators strive to enhance the chances for limited, efficient discovery by acting at the first pre-hearing conference to set hearing dates and interim deadlines that, the parties are told, will be strictly enforced and that, in fact, are thereafter strictly enforced.

- Where appropriate, JAMS arbitrators explain at the first pre-hearing conference that document requests:

    - should be limited to documents that are directly relevant to significant issues in the case or to the case's outcome;

    - should be restricted in terms of time frame, subject matter and persons or entities to which the requests pertain; and

    - should not include broad phraseology such as **"**all documents directly or indirectly related to.**"**

Party Preferences

- Overly broad arbitration discovery can result when all of the parties seek discovery beyond what is needed. This unfortunate circumstance may be caused by parties and/or advocates who are inexperienced in arbitration and simply conduct themselves in a fashion that is commonly accepted in court litigation. In any event, where all participants truly desire unlimited discovery, JAMS arbitrators will respect that decision, since

arbitration is governed by the agreement of the parties.

- Where one side wants broad arbitration discovery and the other wants narrow discovery, the arbitrator will set meaningful limitations.

E-Discovery

- The use of electronic media for the creation, storage and transmission of information has substantially increased the volume of available document discovery. It has also substantially increased the cost of the discovery process.

- To be able to appropriately address issues pertaining to e-discovery, JAMS arbitrators are trained to deal with the technological issues that arise in connection with electronic data.

- While there can be no objective standard for the appropriate scope of e-discovery in all cases, JAMS arbitrators recognize that an early order containing language along the following lines can be an important first step in limiting such discovery in a large number of cases:

    - There shall be production of electronic documents only from sources used in the ordinary course of business. Absent a showing of compelling need, no such documents are required to be produced from backup servers, tapes or other media.

    - Absent a showing of compelling need, the production of electronic documents shall normally be made on the basis of generally available technology in a searchable format that is usable by the party receiving the e-documents and convenient and economical for the producing party. Absent a showing of compelling need, the parties need not produce metadata, with the exception of header fields for email correspondence.

    - Where the costs and burdens of e-discovery are disproportionate to the nature and gravity of the dispute or to the amount in controversy, or to the relevance of the materials requested, the arbitrator will either deny such requests or order disclosure on condition that the requesting party advance the reasonable cost of production to the other side, subject to the allocation of costs in the final award.

Artfully Drafted Arbitration Clauses

- JAMS recognizes that there is significant potential for dealing with time and other limitations on discovery in the arbitration clauses of commercial contracts. An advantage of such drafting is that it is much easier for parties to agree on such limitations before a dispute has arisen. A drawback, however, is the difficulty of rationally providing for how best to arbitrate a dispute that has not yet surfaced. Thus, the use of such clauses may be most productive in circumstances in which parties have a good idea from the outset as to the nature and scope of disputes that might thereafter arise.

- JAMS understands that in order for rational time and other discovery limitations to be effectively included in an arbitration clause, it is necessary that an attorney with a good understanding of arbitration be involved in the drafting process.

Depositions

- Rule 17(c) of the JAMS Rules provides that in a domestic arbitration, each party is entitled to one deposition of an opposing party or an individual under the control of an opposing party and that each side may apply for the taking of additional depositions, if necessary.

- JAMS recognizes that the size and complexity of commercial arbitrations have now grown to a point where more than a single deposition can serve a useful purpose in certain instances. Depositions in a complex arbitration, for example, can significantly shorten the cross-examination of key witnesses and shorten the hearing on the merits.

- If not carefully regulated, however, deposition discovery in arbitration can become extremely expensive, wasteful and time-consuming. In determining what scope of depositions may be appropriate in a given case, a JAMS arbitrator balances these considerations, considers the factors set forth in Exhibit A and confers with counsel for the parties. If a JAMS arbitrator determines that it is appropriate to permit multiple depositions, he/she may attempt to solicit agreement at the first pre-hearing conference on language such as the following:
  Each side may take 3* discovery depositions. Each side's depositions are to consume no more than a total of 15* hours. There are to be no speaking objections at the depositions, except to preserve privilege. The total period for the taking of depositions shall not exceed 6* weeks.[1]

  [1] *The asterisked numbers can of course be changed to comport with the particular circumstances of each case.*

Discovery Disputes

- Discovery disputes must be resolved promptly and efficiently. In addressing discovery disputes, JAMS arbitrators consider use of the following practices, which can increase the speed and cost-effectiveness of the arbitration:

  - Where there is a panel of three arbitrators, the parties may agree, by rule or otherwise, that the Chair or another member of the panel is authorized to resolve discovery issues, acting alone.

  - Lengthy briefs on discovery matters should be avoided. In most cases, a prompt discussion or submission of brief letters will sufficiently inform the arbitrator with regard to the issues to be decided.

  - The parties should negotiate discovery differences in good faith before presenting any remaining issues

for the arbitrator's decision.

- The existence of discovery issues should not impede the progress of discovery where there are no discovery differences.

Discovery and Other Procedural Aspects of Arbitration

Other aspects of arbitration have interplay with, and impact on, discovery in arbitration, as discussed below.

Requests for Adjournments

- Where parties encounter discovery difficulties, this circumstance often leads to a request for adjournment and the possible delay of the hearing. While the arbitrator may not reject a joint application of all parties to adjourn the hearing, the fact is that such adjournments can cause inordinate disruption and delay by needlessly extending unnecessary discovery and can substantially detract from the cost-effectiveness of the arbitration. If the request for adjournment is by all parties and is based on a perceived need for further discovery (as opposed to personal considerations), a JAMS arbitrator ensures that the parties understand the implications in time and cost of the adjournment they seek.

- If one party seeks a continuance and another opposes it, then the arbitrator has discretion to grant or deny the request. Factors that affect the exercise of such discretion include the merits of the request and the legitimate needs of the parties, as well as the proximity of the request to the scheduled hearing and whether any earlier requests for adjournments have been made.

Discovery and Dispositive Motions

- In arbitration, "dispositive" motions can cause significant delay and unduly prolong the discovery period. Such motions are commonly based on lengthy briefs and recitals of facts and, after much time, labor and expense, are generally denied on the ground that they raise issues of fact and are inconsistent with the spirit of arbitration. On the other hand, dispositive motions can sometimes enhance the efficiency of the arbitration process if directed to discrete legal issues such as statute of limitations or defenses based on clear contractual provisions. In such circumstances, an appropriately framed dispositive motion can eliminate the need for expensive and time-consuming discovery. On balance, a JAMS arbitrator will consider the following procedure with regard to dispositive motions:

    - Any party wishing to make a dispositive motion must first submit a brief letter (not exceeding five pages) explaining why the motion has merit and why it would speed the proceeding and make it more cost-effective. The other side would have a brief period within which to respond.

    - Based on the letters, the arbitrator would decide whether to proceed with more comprehensive briefing and argument on the proposed motion.

- If the arbitrator decides to go forward with the motion, he/she would place page limits on the briefs and set an accelerated schedule for the disposition of the motion.

- Under ordinary circumstances, the pendency of such a motion should not serve to stay any aspect of the arbitration or adjourn any pending deadlines.

Note: These Protocols are adapted from the April 4, 2009, Report on Arbitration Discovery by the New York Bar Association.

Exhibit A

Relevant Factors Considered by JAMS Arbitrators in Determining the Appropriate Scope of Domestic Arbitration Discovery

Nature of the Dispute

- The factual context of the arbitration and of the issues in question with which the arbitrator should become conversant before making a decision about discovery.

- The amount in controversy.

- The complexity of the factual issues.

- The number of parties and diversity of their interests.

- Whether any or all of the claims appear, on the basis of the pleadings, to have sufficient merit to justify the time and expense associated with the requested discovery.

- Whether there are public policy or ethical issues that give rise to the need for an in-depth probe through relatively comprehensive discovery.

- Whether it might be productive to initially address a potentially dispositive issue that does not require extensive discovery.

Agreement of the Parties

- Agreement of the parties, if any, with respect to the scope of discovery.

- Agreement, if any, by the parties with respect to duration of the arbitration from the filing of the arbitration demand to the issuance of the final award.

- The parties' choice of substantive and procedural law and the expectations under that legal regime with respect to arbitration discovery.

Relevance and Reasonable Need for Requested Discovery

- Relevance of the requested discovery to the material issues in dispute or the outcome of the case.

- Whether the requested discovery appears to be sought in an excess of caution, or is duplicative or redundant.

- Whether there are necessary witnesses and/or documents that are beyond the tribunal's subpoena power.

- Whether denial of the requested discovery would, in the arbitrator's judgment (after appropriate scrutinizing of the issues), deprive the requesting party of what is reasonably necessary to allow that party a fair opportunity to prepare and present its case.

- Whether the requested information could be obtained from another source more conveniently and with less expense or other burden on the party from whom the discovery is requested.

- To what extent the discovery sought is likely to lead, as a practical matter, to a case-changing "smoking gun" or to a fairer result.

- Whether broad discovery is being sought as part of a litigation tactic to put the other side to great expense and thus coerce some sort of result on grounds other than the merits.

- The time and expense that would be required for a comprehensive discovery program.

- Whether all or most of the information relevant to the determination of the merits is in the possession of one side.

- Whether the party seeking expansive discovery is willing to advance the other side's reasonable costs and attorneys' fees in connection with furnishing the requested materials and information.

- Whether a limited deposition program would be likely to (i) streamline the hearing and make it more cost-effective, (ii) lead to the disclosure of important documents not otherwise available or (iii) result in expense and delay without assisting in the determination of the merits.

Privilege and Confidentiality

- Whether the requested discovery is likely to lead to extensive privilege disputes as to documents not likely to

assist in the determination of the merits.

- Whether there are genuine confidentiality concerns with respect to documents of marginal relevance. Whether cumbersome, time-consuming procedures (attorneys' eyes only, and the like) would be necessary to protect confidentiality in such circumstances.

Characteristics and Needs of the Parties

- The financial and human resources the parties have at their disposal to support discovery, viewed both in absolute terms and relative to one another.

- The financial burden that would be imposed by a broad discovery program and whether the extent of the burden outweighs the likely benefit of the discovery.

- Whether injunctive relief is requested or whether one or more of the parties has some other particular interest in obtaining a prompt resolution of all or some of the controversy.

- The extent to which the resolution of the controversy might have an impact on the continued viability of one or more of the parties.

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Patent Arbitration: It Still Makes Good Sense

By Peter L. Michaelson

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"Reports of my death have been greatly exaggerated."[1] So it is with patent arbitration.

Dire predictions have recently been made by commentators pondering the future of patent arbitration in light of the new U.S. Patent and Trademark Office (USPTO) post-grant trial proceedings (post-grant review (PGR) and inter partes review (IPR)) implemented by the Leahy-Smith America Invents Act (AIA).[2] Contrary to those views, patent arbitration is still very much alive, widely used, and, where employed in appropriate situations and structured properly, will likely see increasing use.

This article first considers post-grant proceedings as being complementary to patent arbitration and then discusses how arbitration can be structured to be an effective litigation alternative for resolving patent-related disputes.

Post-Grant Proceedings and Patent Arbitration Are Complementary Processes

Post-grant proceedings, while certainly expeditious and cost-effective, are strictly limited by statute to validity challenges.[3] As any experienced patent practitioner appreciates, disputes involving patents extend well beyond validity and present issues lying outside the narrow jurisdiction of the USPTO—but, pursuant to 35 U.S.C. § 294,[4] well within the realm of arbitration. The purpose and inherent characteristics of these proceedings so fundamentally differentiate them from arbitration that they are not arbitration substitutes and thus not likely to adversely affect the future use of arbitration to any significant extent.

Frequently, alleged infringers settled patent infringement litigation early on just to avoid a prospect of incurring significant legal expenses over a prolonged period even if they were likely to ultimately succeed in their defense. This was particularly true in actions brought by assertion entities where those entities broadly construed the claims at issue to such an extent that they were of rather questionable validity but were willing to settle for less than the litigation costs that the alleged infringer would otherwise incur. Such disputes frequently arose in situations where no arbitration agreement existed between the parties and one or both parties would not agree to arbitrate, thus leaving the parties to litigate their dispute.

Post-grant proceedings drastically "leveled the playing field" by providing a third party with an administrative opportunity to effectively and efficiently challenge validity in the USPTO of any patent claim(s) by filing a petition to initiate an appropriate proceeding. Such a proceeding is a trial process before the Patent Trial and Appeal Board (PTAB) with a statutory one-year pendency from its date of initiation. It is much faster and less expensive than litigation.[5] The proceeding itself is public; its results have public effect.[6]

Not surprisingly, post-grant proceedings have proven rather popular. As of August 31, 2014, approximately 1,700 petitions to initiate such proceedings have been cumulatively filed with the PTAB and at an average monthly rate of approximately 50–100 petitions.[7] Anecdotally, initiating a proceeding, and often just a credible threat of doing so, presented alleged infringers, who have potentially invalidating prior art to rather broadly asserted claims, with an effective "club" to reach early settlements of infringement disputes at markedly less cost than they would otherwise have incurred through litigation and at more favorable terms.

Where patent validity is the dispositive issue in dispute, the relative low cost and quick pendency of a post-grant proceeding make it a rather attractive litigation substitute. However, the likely effects of a public decision of invalidity flowing from such a proceeding, including all potentially adverse consequences, must be recognized, understood, and carefully evaluated in deciding whether to institute it—as those effects may be worse than the ensuing benefits. Hence, a potential challenger must carefully and strategically delineate and evaluate not only the likely legal consequences but also all ensuing business consequences that will likely flow from public invalidation of the patent, and particularly those that might ultimately redound to its own detriment. This includes, e.g., any adverse effect on: (1) *the challenger's* own position in the marketplace vis-*à*-vis its own competitors—some of whom may now or later be paying royalties under the patent but for the finding of invalidity; (2) *the challenger's* business relationship with the patent owner/licensor—which may be compromised or destroyed; and (3) the owner/licensor itself, including likely changes to the owner's/licensor's own position in the marketplace. While these considerations may be difficult to quantify, their likely impact may nevertheless prove significant to that alleged infringer's future business and should not be ignored.

Where those considerations implicate serious business concerns or critical patent-related issues exist in a dispute that extend beyond validity, patent arbitration, offering private resolution, may well be a much better alternative to litigation than a post-grant proceeding. Nevertheless, where these factors do not exist, such a proceeding may be ideal.

Rather than patent arbitration being displaced by post-grant proceedings—as some commentators have opined—both processes, effectuating different purposes, will likely see increasing use as the number of patent-related disputes continues to rise.

Properly Structuring Patent Arbitration: Fit the Process to the Fuss

Patent litigation uniquely offers various advantages unobtainable through any other resolution mechanism, chief among them: a public forum that, in the context of a finding of patent invalidity or unenforceability, provides a decision binding on all third parties; a public result that may serve as a deterrent

either against future patent infringement by others (if, e.g., a relatively large sum is awarded in damages) or patent enforcement against others (if, e.g., the claims are narrowly constructed so as not to capture allegedly infringing activity of commercial significance); and potentially an award of sanctions under Federal Rule of Civil Procedure 11 and attorneys' fees for instituting meritless litigation. Yet, far more often than not, these advantages are grossly outweighed by the deficiencies inherent in litigation, principally: substantial cost, significant delay, and exhaustive discovery.

In its default mode, patent arbitration closely mirrors litigation with all its principal deficiencies. This concern underlies nearly all complaints about patent arbitration.

Yet, once properly configured, an arbitral process can yield substantial cost and time efficiencies, along with other benefits unavailable through litigation. But, for it to do so, the parties must sufficiently adapt ("fit") the process, radically if necessary, to conform it to the specific characteristics of the dispute ("fuss"). While this should always occur in practice, all too often it does not. Where superfluous, time-consuming, and expensive trial elements are imported into an arbitral process, the ensuing process just wastes valuable resources to the detriment of the parties.

What surprises this author is just how little is known by the practicing bar about the flexibility and advantages of arbitration and how extensive their misconceptions are about the process.

Cost- and Time-Saving Advantages of Patent Arbitration

Arbitration does not follow a one-size-fits-all litigation template strictly mandated by the Federal Rules of Civil Procedure supplemented by local court patent rules. Rather, an arbitral process is remarkably open-ended and relatively informal: a blank canvas on which parties can collectively create the exact process they need and no more. Parties are completely free and have total autonomy, under the rule sets of arbitral institutions, to decide what specific steps they will use and when, and all related aspects, subject only to affording mutual due process. These rule sets, while sufficiently definite and inclusive to define a minimal but essential framework of an arbitral process that can yield a legally binding award, are intentionally very broad and quite malleable to provide parties with sufficient latitude to exquisitely adapt the process to fit the characteristics of their dispute. Such flexibility and party autonomy are entirely absent in litigation.

To aid the practicing bar, professional organizations and arbitral institutions have recently promulgated guidelines and protocols that provide process enhancements designed to streamline all phases of an arbitral proceeding. Parties can incorporate appropriate enhancements into their arbitration provisions during contract formation or can separately agree, post-dispute, on their use.

The Protocols for Expeditious, Cost-Effective Commercial Arbitration,[8] developed by the College of Commercial Arbitrators (CCA), identify four stakeholder groups in arbitration: business users and in-house counsel, outside counsel, arbitrators, and institutions; and delineate various process-enhancing techniques applicable to each group. For example, for outside counsel, the protocols illustratively recommend:

- Memorializing early assessment of a case, including realistic estimates of the time and cost involved in arbitrating the matter at various levels of depth and detail, and reaching a written understanding with the client regarding the specific approach to be taken, including the nature and extent of discovery;
- Selecting arbitrators with proven management ability and setting forth expectations to the arbitrators for an efficient and speedy process;
- Cooperating to the fullest extent with opposing counsel on procedural matters;
- Limiting discovery consistent with the client's goals and cooperating with the tribunal and opposing counsel in finding appropriate ways to do so;
- Considering billing alternatives that incentivize reduced cycle time or net costs of dispute resolution;
- Recognizing and exploiting differences between arbitration and litigation, such as the absence of a jury, limitations on motion practice, and relaxed evidentiary standards that preclude a need for repeated objections as to form and hearsay; and
- Keeping the tribunal informed of any problems and concerns, including discovery, scheduling, and other procedural aspects, as soon as they arise, and empowering and then enlisting the tribunal chair to quickly address and resolve these matters so as to minimally impact the remainder of the process.

The report Techniques for Controlling Time and Costs in Arbitration, produced by the International Chamber of Commerce (ICC), also specifies a number of process-enhancing techniques. Based on statistics provided by the ICC International Court of Arbitration, the report noted that only 18 percent of the total costs of an ICC arbitration are for administrative fees and arbitrator's fees and expenses[9]—an amount that could be easily recouped through use of appropriate efficiency enhancing techniques.

Specifically, discovery, usually the highest cost driver, can be drastically limited in arbitration. Arbitration rules regarding discovery are very simple, as evident in Rule R-34(a) of the 2013 American Arbitration Association (AAA) Commercial Arbitration Rules: "The parties may offer such evidence as is relevant and material to the dispute and shall produce such evidence as the arbitrator may deem necessary to an understanding and determination of the dispute. Conformity to legal rules of evidence shall not be necessary."

The arbitrator controls discovery; the parties agree on its extent. Parties can agree to a joint, sharply focused exchange of only those documents on which each intends to rely, nothing more: no interrogatories, no depositions, no other discovery. Should the parties need a greater degree of discovery, including e-discovery, they can choose that instead. The International Institute for Conflict Prevention and Resolution (CPR) recently promulgated a protocol providing multiple levels of increasingly extensive discovery of physical and electronic documents to which parties can mutually agree to use a particular level during arbitration.[10]

Efficient, cost-effective modalities can be used to receive witness testimony, such as, e.g., prefiled direct testimony, witness statements, deposition testimony (with limits on their length and number), "hot-tubbing" opposing expert witnesses, and video-linked testimony.

Motion practice provides further opportunities to achieve efficiencies. Arbitrators exercise considerable discretion in deciding if and when to accept motions, as reflected in Rule R-32(b) of the 2013 AAA Commercial Arbitration Rules: "The arbitrator, exercising his or her discretion, shall conduct the proceedings with a view to expediting the resolution of the dispute. . . ."

An arbitrator often prevents the filing of futile motions and eliminates the attendant expense by requiring a requesting party to first justify its motion through a three- to five-page premotion letter brief, which includes not only supporting law and facts underlying the motion but also a showing of why the tribunal is more likely than not to grant the motion. Based on the letter briefs of the requestor and responder, the arbitrator then grants the requestor leave to file the motion or not. Certain motions, when interposed early and particularly those that do not implicate extensive discovery, presentation of evidence, or fact-finding, such as to bifurcate or for partial summary judgment, can advantageously eliminate issues from the proceeding or parse threshold issues out for early disposition. These issues include contractual limitations on damages, statutory remedies, statutes of limitations, and claim construction. Through such motions, the remainder of the proceeding can often be simplified, yielding cost savings far greater than the cumulative expense of the motion. Further, granting such a motion at an early stage in a proceeding may: (1) motivate the parties to initiate or reconvene settlement discussions rather than bear the time and expense of pursing a claim that has suddenly lost its appeal, or (2) enhance the likelihood that later activities will foster settlement.[11] The use and timing of such motions is typically discussed with the arbitrator during a preliminary scheduling conference.

Parties can dramatically compress an entire arbitral process by appropriately limiting the available time each side has to present its case at a merits hearing. Knowing this limit at the inception of the proceeding forces counsel to sharply concentrate their efforts from the onset on the core issue(s) in contention, excluding all secondary and tangential issues from discovery, briefing, motions, and the hearing itself. Illustratively, in an arbitration of a large, complex pharmaceutical patent licensing dispute, the parties, in their arbitration agreement, limited each side at the hearing to only two hours to present its arguments and another 30 minutes for rebuttal.[12]

Appellate Procedures and Further Benefits of Patent Arbitration

Further complaints about patent arbitration often center around: a perceived risk due to no appeal on the merits to an errant arbitration award, and concerns that arbitrators tend to compromise and not follow legal norms.

Contrary to those perceptions, appellate arbitration proceedings have been in effect for some time. The Federal Arbitration Act (FAA) provides the exclusive grounds for challenging an arbitral award in federal court.[13] Those grounds are limited to specific procedural infirmities and certain transgressions by the tribunal. Parties cannot contractually provide for federal judicial review of an award.[14] However, arbitral institutions have expanded their rule sets to include an optional appellate procedure, for adoption by all the parties, through which an award can be comprehensively reviewed by a second, i.e., appellate, arbitral tribunal.[15] In essence, the award rendered by a first arbitration panel is not viewed as being final, for purposes of the FAA, while it is under appeal.

Concerns about arbitrators' conformance to legal norms and any perceived tendency to compromise can be readily addressed by selecting experienced lawyers or former judges as arbitrators, choosing counsel sufficiently well-versed in arbitration and imposing contractual standards for award writing in conformity with applicable law.[16]

Further, patent litigation suffers from a relatively high historic reversal rate on appeal in the Federal Circuit of claim construction (Markman) rulings often issued very early in a litigation. A substantial amount of time and cost has often been invested prior to and at trial by patent disputants, predicated on a particular construction governing the litigation, only to be subsequently negated on appeal, thus wasting most of the investment. Some commentators estimate the reversal rate in the neighborhood of 50 percent (basically a coin flip), though others lately view the rate lower at approximately 25–30 percent.[17] Recent studies conclude that: (1) Federal Circuit judges remain divided on how to approach the task of claim construction, and (2) reversals of district courts generally resulted from their misapplication of settled principles of claim construction.[18] The finality of an arbitration award under the FAA eliminates all possibilities of such reversals. Moreover, in arbitration, parties can agree to use a predefined construction (one to which they specifically agreed by themselves or that resulted from a prior ruling of a district court or an arbitral tribunal) or, should an appellate process be used, to constrain the appellate tribunal from reviewing the construction adopted by the first panel.

Moreover, arbitration provides further significant benefits that are simply unavailable in litigation, including: avoidance of excessive or emotionally driven jury awards, ability to choose arbitrators with particular qualifications to cope with daunting and specialized issues of law and technology, avoidance of establishing legal precedents, relative confidentiality of the entire process, and privacy of any award.

Further, arbitral institutions have recently supplemented their rule sets to implement emergency and expedited procedures. Emergency arbitrations are highly compressed, extremely efficient proceedings designed to urgently provide interim relief to a requesting party.[19] As of September 15, 2014, the International Centre for Dispute Resolution (ICDR, the international arm of the AAA) has administered 40 emergency arbitrations with an average pendency of just three weeks—starting from the time a request is made to the AAA/ICDR to initiate the procedure to the time an award is rendered.[20] Where urgent relief is not required but transaction cost and pendency time are still of primary concern, an expedited arbitration proceeding, similar to emergency arbitration, features deadlines that are significantly relaxed over those in emergency arbitration but still considerably shorter than in a standard arbitration.[21]

International Patent Arbitration

In the international arena, arbitration can be far more advantageous than national litigation. Arbitration provides a neutral forum, predicated on the parties: (1) having selected arbitrators from neutral nationalities or of recognized neutrality who are independent of the parties, their home governments, and national courts; and (2) using substantive law of a chosen jurisdiction together with institutional arbitration rules that ensure requisite neutrality and due process. This eliminates a source of potential bias and provides assurance that the rule of law will be followed. Further, international arbitration circumvents national court delays, which in some jurisdictions can readily exceed five to 10 years.

Most importantly, arbitration awards are internationally enforceable by convention. As of September 25, 2014, 152 countries have ratified the 1958 Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention). Through Article III of the Convention, an arbitral award, conforming to the formal requirements of the Convention, issued in any one member country is entitled to reciprocal enforcement, as binding, in any other member country to the same extent as a domestic arbitration award. Article V of the Convention sets forth narrow grounds on which recognition and enforcement of foreign awards may be refused by a national court. In stark contrast, judicial awards are only enforceable in other countries through comity, which renders cross-border enforcement subject to wide discretion of the enforcing court with the outcome thus being subject to considerable uncertainty and risk.

Furthermore, international patent litigation often involves parallel judicial proceedings simultaneously occurring in multiple national courts. Such an approach is extraordinarily costly and very risky. National courts often have differing views that lead to inconsistent results. The patent owner may prevail on its lawsuit or just one or more of its contentions in some forums, but not in others. In contrast, at considerably less cost and time, a single arbitration before a single tribunal chosen by the parties and using substantive law of a jurisdiction specifically chosen by the parties can often address the entire dispute with a single award given affect, through the New York Convention, across many, if not all, jurisdictions at issue.[22]

Fully Realizing the Advantages of Patent Arbitration

In 2014, Professor Thomas Stipanowich conducted a survey, through the Straus Institute for Dispute Resolution at Pepperdine University School of Law, of approximately 140 fellows of the CCA, all of whom were highly experienced commercial arbitrators, regarding their practices in promoting settlement through arbitration. The resulting insights—though not surprising at all for those, like this author, who regularly sit as arbitrators—shatter many arbitral myths widely held by counsel. These insights include: 83 percent of surveyed arbitrators believed they played a beneficial role in settling a case prior to its merits hearing; less than 1 percent refuse to rule on motions for summary judgment; 70 percent say they "readily" rule on dispositive motions and 80 percent of those motions may have prompted informal settlement of the entire case; 91 percent work with counsel to limit discovery and 94 percent encourage the parties to limit the scope of discovery; 75 percent generally "receive virtually all non-privileged evidence and discourage traditional objections (hearsay, foundation, etc.)"; and 87 percent always try to follow the applicable law in rendering an award. Also, experienced arbitrators proactively manage their cases in various ways, with the great majority requiring parties to submit a core collection of joint exhibits for the merits hearing, limiting duplicative testimony, and telling counsel when a point has been understood so "they can move on." Approximately 65 percent of the surveyed arbitrators believed that excessive, inappropriate, or mismanaged motion practice contributed to inefficiencies, excess cost, and time.[23]

Yet, in spite of a wide array of available process enhancements, patent disputants still routinely settle for a default "litigation-like" arbitral process. Why?

Generally because they either inadvertently or intentionally gave no forethought, either at contractual formation or after a dispute arises, to using process-enhancing techniques or were unable or just did not attempt to reach agreement on their use.[24] This typically results from: (1) inexperience or just ignorance of the parties and their counsel regarding arbitration; (2) outside counsels' marked tendency, owing to their own core competencies and focused career experiences in nonarbitral settings, to resolve every adversarial dispute through litigation or litigation-like proceedings regardless of its suitability; or (3) a counsel's or party's prior experience with arbitration that was so poor as to profoundly prejudice that individual or his or her organization against using arbitration at all, regardless of its benefits. Consequently, patent disputants effectively deny themselves the substantial time and cost efficiencies that arbitration can readily provide and that would ultimately boost their bottom line.

With all that arbitration offers, it seems axiomatic that, when a dispute arises which requires a third party fact finder to resolve it, counsel would eagerly devise an arbitral process that efficiently does so. Yet, few do. Professor Frank Sander, then with Harvard Law School, recognized this fallacy by stating in 2007: "The theoretical advantages of arbitration over court adjudication are manifold. . . . These theoretical advantages [however] are not always fully realized."[25] Nevertheless, when arbitration is used to resolve intellectual property disputes,[26] its resulting savings over litigation have proven to be considerable: according to a 2013 World Intellectual Property Organization (WIPO) survey, more than 60 percent in time and up to 55 percent in costs.[27]

Conclusion

Parties who seek private resolution can readily exploit the inherent flexibility of arbitration—as now evident—to tailor an arbitral process to closely mimic a post-grant proceeding, with its inherent time and cost efficiencies and even including an appellate process, and with a crucial additional advantage not afforded by the USPTO: the complete freedom to choose their arbitrator(s). A properly configured arbitral process can be a very effective substitute for a post-grant proceeding, though a post-grant proceeding, while being a viable litigation alternative in certain instances, is not a realistic substitute for arbitration.

Yet the full advantages and efficiencies of arbitration will not arise merely because parties chose to arbitrate a patent-related dispute or even just a validity challenge in a post-grant proceeding look-alike; the parties and their counsel must thoroughly, thoughtfully, but deliberately "fit the process to the fuss." They need the motivation to do it, and the will to get it done. Once accomplished, they may be astonished at the extent and breadth of the efficiencies they achieve—realizing that arbitrating patent disputes still makes good sense as a truly effective alternative to litigation and very likely always will. n

Endnotes

1. Common misquotation of "The report of my death was an exaggeration," in a letter written by Mark Twain and which appeared in *Mark Twain Amused*, N.Y. J., June 2, 1897.

2. *See, e.g.*, Charles W. Shifley, *Goodbye Patent Arbitration?*, CORP. COUNS. (Oct. 13, 2014), http://www.corpcounsel.com/id=1202672879326/Goodbye-Patent-Arbitration?slreturn=20150314000849.

3. For IPR and PGR, see 35 U.S.C. §§ 311(b) and 321(b), respectively.

4. "A contract involving a patent or any right under a patent may contain a provision requiring arbitration of any dispute relating to patent validity or infringement arising under the contract." 35 U.S.C. § 294(a).

5. See 35 U.S.C. §§ 316(a)(11) and 326(a)(11) for IPR and PGR, respectively, both of which provide the USPTO with discretion to grant, on due cause shown, extensions up to six months.

6. See 35 U.S.C. §§ 318(a)–(b) and 328(a)–(b), respectively, for the public effect of IPR and PGR decisions; and 35 U.S.C. §§ 316(a)(1) and 326(a)(1), which provide exceptions in IPR and PGR proceedings, respectively, for materials filed under seal.

7. *See AIA Statistics*, USPTO, http://www.uspto.gov/aia_implementation/statistics.jsp (last modified Dec. 14, 2014).

8. COLL. OF COMMERCIAL ARBITRATORS, PROTOCOLS FOR EXPEDITIOUS, COST-EFFECTIVE COMMERCIAL ARBITRATION (Stipanowich et al. eds., 2010), *available at*http://www.thecca.net/cca-protocols-expeditious-cost-effective-commercial-arbitration; *see also*THE COLLEGE OF COMMERCIAL ARBITRATORS GUIDE TO BEST PRACTICES IN COMMERCIAL ARBITRATION (James M. Gaitis et al. eds., 3d ed., 2013).

9. INT'L CHAMBER OF COMMERCE (ICC) COMM'N ON ARBITRATION, PUB. NO. 843, TECHNIQUES FOR CONTROLLING TIME AND COSTS IN ARBITRATION (2007); *see also*ICC COMM'N ON ARBITRATION & ADR, PUB. NO. 861-1, TECHNIQUES FOR CONTROLLING TIME AND COSTS IN ARBITRATION (2014).

10. INT'L INST. FOR CONFLICT PREVENTION & RESOLUTION (CPR), CPR PROTOCOL ON DISCLOSURE OF DOCUMENTS AND PRESENTATION OF WITNESSES IN COMMERCIAL ARBITRATION (2009), *available at*http://www.cpradr.org/Portals/0/Resources/ADR Tools/Clauses & Rules/CPR Protocol on Disclosure of Documents and Witnesses.pdf.

11. Thomas J. Stipanowich & Zachary P. Ulrich, *Commercial Arbitration and Settlement: Empirical Insights into the Roles Arbitrators Play*, 6 PENN ST. Y.B. ARB. & MEDIATION 1, 7, 24, 29 (2014).

12. Peter L. Michaelson, *Demystifying Commercial Arbitration: It's Much Better than You Think!*, 216 N.J. L.J. 541 (May 26, 2014).

13. The grounds are: "(1) where the award was procured by corruption, fraud, or undue means; (2) where there was evident partiality or corruption in the arbitrators, or either of them; (3) where the arbitrators were guilty of misconduct in refusing to postpone the hearing, upon sufficient cause shown, or in refusing to hear evidence pertinent and material to the controversy; or of any other misbehavior by which the rights of any party have been prejudiced; or (4) where the arbitrators exceeded their powers, or so imperfectly executed them that a mutual, final, and definite award upon the subject matter submitted was not made." 9 U.S.C. § 10(a).

14. Hall St. Assocs., L.L.C. v. Mattel, Inc., 128 S. Ct. 1396 (2008).

15. *See*AAA OPTIONAL APPELLATE ARBITRATION RULES (2013); CPR ARBITRATION APPEAL PROCEDURE (2007); JAMS OPTIONAL ARBITRATION APPEAL PROCEDURE (2003).

16. Thomas J. Stipanowich & J. Ryan Lamare, *Living with ADR: Evolving Perceptions and Use of Mediation, Arbitration and Conflict Management in Fortune 1000 Corporations*, 19 HARV. NEGOT. L. REV. 1, 64 (2014).

17. Thomas W. Krause & Heather F. Auyang, *What Reversals and Close Cases Reveal about Claim Construction: The Sequel*, 13 J. MARSHAL REV. INTELL. PROP. L. 525, 530 (2014).

18. Jason Rantanen, *Studying the Mongrel: Why* Teva v. Sandoz *Won't Solve Claim Construction*, PATENTLY-O (July 15, 2014), http://patentlyo.com/patent/2014/07/studying-mongrel-construction.html.

19. *See, e.g.*, AAA COMMERCIAL ARBITRATION RULES R. R-38.

20. ICDR Young & Int'l (Y&I), Webinar: A Guide to the New ICDR Procedures (Sept. 23, 2014).

21. *See, e.g.*, AAA COMMERCIAL ARBITRATION RULES R. E-1 to 10; Peter Michaelson, *When Speed and Cost Matter: Emergency and Expedited Arbitration*, 218 N.J. L.J. 50 (Oct. 27, 2014).

22. In some countries, as a matter of public policy, certain IP issues, such as patent validity, either may not be arbitrable at all or of limited arbitrability. Thus, an award exceeding those bounds may not be wholly or partially enforceable there. *See* Kenneth R. Adamo, *Overview of International Arbitration in the Intellectual Property Context*, 2 GLOBAL BUS. L. REV. 7 (2011).

23. Thomas J. Stipanowich & Zachary P. Ulrich, *Arbitration in Evolution: Current Practices and Perspectives of Experienced Commercial Arbitrators*, AM. REV. INT'L ARB. (forthcoming 2015), *available at*http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2519196; *see also* Liz Kramer, *New Survey Dispels Common Myths about Arbitration*, ARB. NATION (Nov. 20, 2014), http://arbitrationnation.com/new-survey-dispels-common-myths-about-arbitration/.

24. Stipanowich & Lamare, *supra* note 16, at 68.

25. CHARTERED INST. OF ARBITRATORS (CIARB), CIARB COSTS OF INTERNATIONAL ARBITRATION SURVEY 2011, at ii (2011), *available at*https://www.international-arbitration-attorney.com/wp-content/uploads/CIArb-costs-of-International-Arbitration-Survey-2011.pdf.

26. Lisa Shuchman, *Tech Sector Coming Around to IP Arbitration*, CORP. COUNS. (Dec. 10, 2014).

27. WIPO ARBITRATION & MEDIATION CTR., RESULTS OF THE WIPO ARBITRATION AND MEDIATION CENTER INTERNATIONAL SURVEY ON DISPUTE RESOLUTION IN TECHNOLOGY TRANSACTIONS 30–33 (2013), *available at*http://www.wipo.int/export/sites/www/amc/en/docs/surveyresults.pdf.

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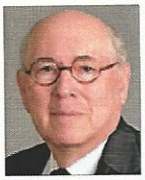
Expert Analysis

Interim and Emergency Measures in International Commercial Arbitration: Time to Say Goodbye to Irreparable Harm and Likelihood of Success on the Merits?



By **Robert B. Davidson**

And **Cliff Bloomfield**

Virtually all of the major arbitration provider rules expressly authorize an arbitrator to order interim relief in order to preserve the status quo or assure the effectiveness of an award pending a full merits hearings. These orders can take various forms including orders in the nature of prohibitive or mandatory injunctions, anti-suit injunctions, orders compelling a party to post security for costs or orders to preserve evidence or property. Arbitrators have even issued orders in the nature of *Mareva*-type injunctions forbidding a respondent to transfer assets pending an award. See, e.g., *CE Int'l Res. Holdings v. S.A. Minerals Ltd. P'ship*, No. 12 Civ. 8087, 2012 WL 6178236, at *1 (S.D.N.Y. Dec. 10, 2012) (enforcing interim award granting a *Mareva*-style injunction even though the relief could not be awarded by a federal or New York court).

While the enforceability of such interim orders is far from a foregone conclusion (it takes a court order to compel a reluctant respondent to comply), the availability of interim relief has long been a hallmark of the arbitral process. For example, UNCITRAL Article 26, was used to great effect in the 1980's to provide further security for the payment of awards to be rendered by the Iran-U.S. Claims Tribunal.

Even though arbitration provider rules permit the granting of interim relief, there is also often a need for such relief on an emergency basis, that is, prior to the empanelment of a tribunal or the appointment of a sole arbitrator, a process which can take several weeks. These situations typically result in aggrieved parties running into court to seek interim relief from a judge in aid of arbitration pending the appointment process. However, the ability to rely upon a national court for such relief pending the appointment of arbitrators in a proceeding venued outside of the U.S. may be illusory. The unreceptiveness of the local judiciary, or cumbersome court procedures abroad, often preclude or inhibit the moving party's ability to obtain such relief. The jurisdictional prerequisites for obtaining interim relief in an international setting may also be unclear.

In the last decade, international arbitral provider organizations have answered the call by providing for a fast decision by an Emergency Arbitrator (EA) in such situations. While interim or partial final awards rendered by EAs are not self-enforcing, EAs have nonetheless been busy. As of mid-2016, the major international arbitration institutions report that there were at least 175 EA applications across international providers. See Grant Hanessian & E. Alexandra

While the enforceability of such interim orders is far from a foregone conclusion (it takes a court order to compel a reluctant respondent to comply), the availability of interim relief has long been a hallmark of the arbitral process.

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Dosman, "Songs of Innocence and Experience: Ten Years of Emergency Arbitration," 27 Am. Rev. Int'l Arb. 215, 216 (2016). Given the frequency of applications for interim relief and the rising popularity of emergency applications under provider rules, it is useful to explore the standards used by arbitrators when considering such requests, especially in the context of international commercial arbitration.

The standard for the granting of preliminary relief is fairly well-settled in the United States. In the Second Circuit, an applicant must show: (1) irreparable harm and (2) either (a) likelihood of success on the merits or (b) sufficiently serious questions going to the merits to make them a fair ground for litigation and a balance of hardships tipping decidedly toward the party requesting the preliminary relief. Irreparable harm, as we all learned in law school, means harm that cannot be remedied by money damages. While there is some flexibility in the definition, there isn't much. Courts in the United States have found irreparable harm where a defendant's conduct threatens the existence of the plaintiff's business; a defendant is dissipating assets to make itself judgment proof; or where damages are particularly difficult to quantify, such as injury to reputation or loss of goodwill. Otherwise, the standard is difficult to meet. "Likelihood of success," when applicable, is also strictly applied.

Are these traditional standards too strict? Should they apply at all in the context of an international arbitration?

To answer these questions, the first order of business is to determine the source of the legal standard. Assume an international commercial arbitration under the ICC rules taking place in New York pursuant to a contract calling for application of the substantive law of Illinois. Are the standards deemed procedural, thus militating for the application of New York law? Or substantive, calling for the application of Illinois law? Or do the rules of the chosen provider organization trump whatever standards would otherwise apply? The answer is far from obvious. See, e.g., Elliot E. Polebaum, International Arbitration: Commercial and Investment Treaty Law and Practice §6.03[2] (Law Journal Press 2016); Gary B. Born, International Commercial Arbitration §17.02[G], at 2464-65 (2d ed. 2014). As Polebaum explains, a persuasive argument exists that the standards set forth in the provider rules chosen by the parties ought to govern. Id. §6.03[3]. In practice, unless the parties agree that the controlling law is different, most arbitrators sitting in international disputes will apply the rules of the provider organization rather than either the law of the forum (lex arbitri) or the chosen law under the contract (lex causae). Regarding the standards set forth in provider rules, it is interesting to note that no major provider even mentions "irreparable harm" or "likelihood of success" in its rules.

For example, the ICC Rules allow arbitrators to grant conservatory and interim measures that "the arbitral tribunal considers appropriate." ICC Art. 28(1); see also LCIA Art. 25.1 (stating that the Arbitral Tribunal may respond to an application for interim relief "as the Arbitral Tribunal considers appropriate in the circumstances"). Similarly, both JAMS and the ICDR state that a tribunal may order interim measures that "it deems necessary." JAMS Int'l Arb. Rules (JIAR) Art. 32.1; ICDR Art. 24(1). The UNCITRAL Rules are the only procedural rules that actually give some guidance, providing in Article 26(3) for a three-pronged test: First, the requesting party must satisfy the tribunal that "Harm not adequately reparable by an award of damages is likely to result"; that the "harm [to the requesting party] substantially outweighs the harm that is likely to result to the [other] party"; and that "There is a reasonable possibility that the requesting party will succeed on the merits of the claim." (Note the compromise way to express the notion of "irreparable harm" and the absence of "likelihood of success.") This gives substantial discretion to the arbitrator—discretion that seems to be deliberately conferred if for no other reason than to deal with the disparate standards the might exist in various jurisdictions.

Notwithstanding the fact that none of the major international provider rules mention either irreparable harm or likelihood of success on the merits, surveys of interim awards made by tribunals in commercial, treaty-based, and other arbitrations indicate that many arbitrators still adhere to the traditional standards. See generally Francisco González de Cossío, *Interim Measures in Arbitration: Towards a Better Injury Standard* (2015).

However, a growing number of tribunals have adopted less restrictive notions of harm and likelihood of success. See, e.g., Marc J. Goldstein, "A Glance Into History for the Emergency Arbitrator," 40 Fordham Int'l L.J. 779, 792-94 (2017). With regard to harm,

some tribunals recognize that even where losses can be compensated with money damages, they may be sufficiently "substantial" or "serious" to warrant interim relief. See, e.g., *Kompozit v. Republic of Moldova*, SCC Arbitration No. 2016/095, Emergency Award on Interim Measures, ¶¶86-88 (June 14, 2016); *PNG Sustainable Dev. Program v. Indep. State of Papua New Guinea*, ICSID Case No. ARB/13/33, Award, ¶ 109 (May 5, 2015). To take another example, a tribunal reasoned that the granting of interim relief would be appropriate to prevent the *aggravation* of the dispute in arbitration. *Distrib. A v. Mfr. B*, ICC Case No. 10596. There, after the termination of two distribution agreements, the manufacturer sought an order directing the distributor to deliver certain documents so that it could continue to sell products in a particular country. There was virtually no dispute that the contracts required delivery upon termination. The Tribunal granted the requested relief despite the absence of traditional irreparable harm. It reasoned that the parties had an obligation not to take actions that would aggravate the dispute.

With regard to "likelihood of success," the standard has been applied in a number of ways, many of which suggest a reluctance of panels to delve too deeply into the merits prior to the arbitration hearing, but others which suggest the opposite. See Hanessian & Dosman, supra, at 228 (listing various formulations of the standard, including "reasonable probability of success on the merits," "prima facie case," "reasonable possibility," "serious claim," "probable cause," "real probability of success," "good arguable case," "good prospects of success on the merits," and "a likelihood of success on the merits").

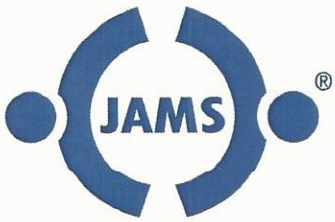
Notably, in a recent survey of requests for interim relief, de Cossío found that, whether explicitly or not, tribunals often base their rulings on a balancing of harms. See de Cossío, supra, at 266-69. In that article, de Cossío makes a compelling case for why balancing—in essence, harm reduction—should be the lodestar for interim relief.

An applicant for interim or emergency relief should only be required to establish that immediate loss or damage will result if relief is not granted, that it has an arguable case on the merits and that the equities are balanced in its favor.

While the institutional rules that permit emergency applications recite detailed procedures governing the application, as with interim measures more generally, the vast majority of providers do not invoke specific standards for awarding emergency relief. See generally ICC Art. 29 and App. V, Art. 6 (stating, among other things, that the EA's Order "shall be made in writing and shall state the reasons upon which it is based"); ICDR Art. 6(4) (stating that the EA shall have the power to order or award relief "that the emergency arbitrator deems necessary"). By contrast, JIAR Art. 3.3 directs an EA to "determine whether the party seeking emergency relief has shown that immediate loss or damage will result in the absence of emergency relief and whether the requesting Party is entitled to such relief." Note the use of the word "immediate" rather than "irreparable" and, again, no mention of "likelihood of success."

As can be seen above, virtually all of the major provider organizations implicitly reject the traditional common law test that requires a showing of irreparable harm and likelihood of success. Furthermore, as a jurisdictional matter, an arbitrator's power to ignore these standards in most circuits is well-settled. For example, it has been the rule for many years in the Second Circuit that an arbitrator has wide discretion to craft interim relief that would even be unavailable in a court of law. *Sperry Int'l Trade v. Gov't of Israel*, 689 F.2d 301, 306 (2d Cir. 1982).

Consistent with that rule, and the growing recognition that the traditional standard is often too rigid a construct in international commercial arbitration, it is submitted that an applicant for interim or emergency relief should only be required to establish that immediate loss or damage will result if relief is not granted, that it has an arguable case on the merits and that the equities are balanced in its favor. "Irreparable harm" and "likelihood of success" should not be an arbitrator's guiding star.



Doc. No. 7

Effective Advocacy in Arbitration

BY JANE MICHAELS

This article explores the benefits of arbitration over litigation and provides practical pointers for trial lawyers who want to sharpen their advocacy skills in arbitration.

Parties to arbitration proceedings frequently comment that they appreciate the arbitration process because it is a faster, more efficient, and less costly way to resolve their business disputes. Unlike litigation, arbitration provides the parties with an opportunity to exercise significant control over the entire proceeding—from the expedited exchange of information to the prompt resolution of discovery disputes, to the determination of customized procedures for the hearing on the merits.

At the outset, the parties can choose arbitrators who have specialized knowledge and expertise in the substantive area of the dispute. As a result, arbitrators can decide prehearing matters quickly. In addition, arbitrators have flexibility in working with the parties to determine the location of the arbitration hearing and the hours during which the hearing will be held. If it is more convenient for counsel and the witnesses, hearings can even be conducted in the evening or during the weekend.

Because discovery is generally limited and the grounds for challenging arbitration awards are narrow, arbitration is far less expensive than most litigation. Every arbitration dispute can be decided in a timely manner—fairly, cost-effectively, and with finality. In addition, arbitration in a private setting has greater potential than litigation to preserve business relationships.

This article is based on the author's 25 years of experience serving as an arbitrator in commercial and intellectual property cases. It is intended to assist trial lawyers in maximizing the benefits of arbitration and optimizing their prospects for effective and successful advocacy in arbitration proceedings.

Why Trial Counsel Should Care about Drafting Arbitration Clauses

Although in-house counsel or outside corporate counsel typically draft arbitration clauses in business contracts, litigators should make an effort to educate their colleagues regarding the importance of concepts to be considered in the drafting process. The language of an arbitration clause becomes critical once a dispute arises.

> "The language of an arbitration clause becomes critical once a dispute arises. Knowing in advance the important issues that need to be addressed in an arbitration provision will provide the client with additional security if a dispute occurs after the contract has been signed."

Knowing in advance the important issues that need to be addressed in an arbitration provision will provide the client with additional security if a dispute occurs after the contract has been signed.

An arbitration clause must clearly define the scope of arbitrable claims. Important considerations about the scope include:

- Will *any* dispute relating in any manner to the subject matter of the contract be arbitrable?
- Do the parties want to include, or exclude, disputes regarding claims that are not necessarily connected to a cause of action for breach of contract, such as antitrust claims, patent infringement claims, or certain tort claims?
- What law will govern the procedural and substantive issues in dispute?
- In what city will the arbitration take place?
- Will the dispute be decided by one arbitrator or a panel of three arbitrators?
- What qualifications do the parties want the arbitrator or arbitration panel to have?
- Do the parties want specific administrative rules to apply, such as the Commercial Rules of the American Arbitration Association (AAA), the rules of the International Chamber of Commerce (ICC), or those of another administrative body?
- Before arbitration, will formal mediation or an informal dispute resolution process be required?
- Will there be any limitations on discovery in the arbitration?
- If there is a dispute regarding whether a claim is arbitrable, who will determine arbitrability?[1]
- Will there be any limits on available remedies? For example, do the parties agree that no punitive damages may be awarded or that the arbitrator may not impose injunctive relief?

- How will attorney fees and arbitration expenses be handled; will costs be divided equally between the parties or will the non-prevailing party pay all attorney fees and expenses incurred?
- Do the parties want to include a statement that all documents, testimony, and proceedings in the arbitration will be treated as confidential?
- How will the arbitrator's award be enforced?[2]

All of the foregoing issues must be considered when drafting a meaningful arbitration provision in a business contract. In my experience, most litigators get involved well after the fact, sometimes years after the governing arbitration clause has been written by others and without any input from trial lawyers who will actually handle the arbitration proceedings. This can compromise the efficacy of the arbitration proceedings. Advocates in arbitrations should get involved in counseling clients and their corporate colleagues regarding best practices in drafting arbitration clauses.

> "The arbitral tribunal needs to understand the nuances of the case, both factually and legally, to do its job properly."

Make a Positive First Impression

A well-presented demand for arbitration or a carefully substantiated response to a demand for arbitration provides the arbitrator with a positive first impression. When claims and defenses are clearly described, the arbitrator is better prepared to assist the parties from the outset of a case. Advocates do a disservice to clients when a demand for arbitration is nothing more than a cryptic reference to breach of the operative contract, without any meaningful supporting factual information or specific legal claims. Likewise, clients are disserved if the response to the demand for arbitration is nothing more than a litany of denials.

The arbitral tribunal needs to understand the nuances of the case, both factually and legally,

to do its job properly. In addition, clients better understand the scope of the factual and legal issues in dispute when the initial submission is clear and substantive. Counsel representing the claimant should quantify the basis for and extent of damages being sought and explain clearly any nonmonetary relief requested, including the need for a preliminary injunction. Counsel for the respondent should raise promptly any jurisdictional or procedural deficiencies, such as a non-arbitrable claim or a statute of limitations bar. At the earliest stage of the proceeding, take advantage of the opportunity to make a positive first impression and to begin the critical process of persuasion.

Be Proactive in Preparing for the Preliminary Hearing

Counsels' first encounter with the arbitration tribunal occurs at the preliminary hearing, which is often held telephonically. Preparing promptly for the preliminary hearing can make a significant difference in the development of the case. Start by reaching out to opposing counsel before the preliminary hearing and then, to the extent feasible, cooperate in outlining the hearing parameters. The arbitration clause will presumably state the governing law and venue of the arbitration. But counsel can agree on many other aspects of the prehearing process. In most arbitrations, even when there are no depositions, the parties are required to exchange documents. At the earliest opportunity, counsel should discuss issues surrounding electronically stored information (ESI), including logistics regarding appropriate search terms as well as the timing and format of documents produced electronically.

In preparing for the preliminary hearing, counsel should endeavor to reach agreement regarding limits on written discovery and reasonably prompt deadlines for fact discovery. When experts are anticipated, counsel should discuss the general subject areas for expert testimony, the template for expert reports, and reasonable deadlines for expert discovery.

If the arbitration clause does not address whether there will be depositions and the number of depositions that each party is entitled to take, it is important to discuss in advance with opposing counsel how many depositions are needed, the maximum amount of time allowable for each deposition (or the maximum number of hours for all depositions), and any other reasonable parameters to limit deposition discovery. It is most important to identify the key witnesses for each party. Unless the parties agree to forgo depositions, or the arbitration clause precludes depositions entirely or addresses depositions explicitly in some unique way, arbitrators will typically allow only a few depositions in complex commercial arbitrations so that the arbitral process does not devolve into protracted litigation.

In preparing for the preliminary hearing, confer with opposing counsel regarding the number of days needed for the hearing on the merits and the earliest time frame within which the parties and counsel are available for the evidentiary hearing. It is advisable to discuss whether some or all parties want to pay for a court reporter at the hearing. Also, decide whether the arbitrator should issue a standard award, a reasoned award, or detailed findings of fact and conclusions of law. In my experience, the parties typically want a reasoned award, which is the most prudent approach in most complex disputes.

In addition to the foregoing issues, at the preliminary hearing the arbitrator will typically address firm deadlines for (1) exchanging preliminary and final disclosures of testifying fact and expert witnesses; (2) requesting subpoenas; (3) exchanging hearing exhibits; (4) agreeing on joint exhibits; (5) exchanging demonstrative exhibits; and (6) submitting prehearing briefs.

Do Not File Unnecessary Motions in Arbitration

Frequent and unnecessary motions practice contributes to the high cost of litigation. Resist the urge to file non-dispositive discovery motions in arbitration. Some arbitrators require counsel to alert them to a discovery dispute by filing a very brief letter or email describing the disputed issue. The goal is to minimize the time and expense of formal motions whenever discovery or other non-dispositive disputes can be handled informally.

Similarly, dispositive motions should be avoided in almost all arbitration proceedings. There is a presumption against granting a dispositive motion if there is a material issue of fact in dispute. Although there are very few grounds on which an award can be vacated, one such ground is an arbitrator's refusal to hear relevant evidence. As a result, motions for summary judgment are rarely granted. The only types of issues that warrant prehearing dispositive motions are those based on jurisdictional or legal issues where there are no factual disputes, such as a non-arbitrable claim or a claim clearly barred by the applicable statute of limitations. These types of motions can and should be filed and decided as soon as possible.

Seize the Power of Prehearing Briefs

The prehearing brief is critically important. It should provide the arbitrator with additional details regarding the background of the dispute and present a clear and compelling summary of the case. The prehearing brief should provide supporting legal authority, attaching and highlighting the pertinent portions of key cases. If there are any difficult evidentiary issues, these should be brought to the arbitrator's attention. All counsel must describe the factual details and substantiate their respective claims and defenses effectively. In addition, the claimant must clearly state the relief it seeks.

Be a Credible, Persuasive Advocate

Devote the same preparation to arbitration that you devote to cases tried in court. Focus on each phase of the proceeding to maximize the effectiveness of your advocacy.

Prepare, Prepare, Prepare

Fundamentally, counsel must know the case exhaustively. Anticipate every counter-argument. Be ready for the unexpected. Read all relevant documents, especially those that are not helpful to your case. Research the law. Work with your witnesses. Prepare crisp, effective cross-examinations. Remain vigilant.

Never Pass Up the Opportunity to Make an Opening Statement

The opening statement is the culmination and synthesis of your preparation. Use it to capitalize on the months you've spent living with the case by crystalizing its critical aspects to a few salient points that can be easily understood, absorbed, and believed.

An opening statement should be brief but compelling, incorporating the most critical facts, concepts, and themes of the case. Tie the anticipated evidence to the key legal issues that the arbitrator will decide. It is crucial to describe the key facts accurately and to deal candidly with bad facts, anticipating (if representing the claimant) or addressing (if representing the respondent) opposing counsel's arguments briefly but powerfully. Reserve most of the purely legal arguments for closing argument and/or post-hearing briefs.

The opening statement is designed to reinforce what the arbitrator has already read in your prehearing submissions. Use demonstrative graphics to summarize information supporting your themes; great graphics are impactful, but misleading graphics lose lots of points (see further discussion on this below). Make sure that these graphics are accurate, because your credibility is always at stake. Strive to never overstate or lose credibility with the arbitrator.

> "Your reputation is your most important asset as a trial lawyer. Be professional at all times throughout the arbitration process."

Be Professional at All Times

Your reputation is your most important asset as a trial lawyer. Be professional at all times throughout the arbitration process. Civility to opposing counsel is critical. Never personally attack or disparage your opponent. Refuting an opposing argument is different from personally attacking opposing counsel.

If opposing counsel insults you (or your client) or flaunts the rules, remain calm, rational, and articulate. If opposing counsel engages in unprofessional conduct, rise above the pettiness and score points with the arbitration tribunal by maintaining your professionalism. In addition, advise your clients to be present and paying attention at the hearing, not whispering, texting, reading emails, or darting in and out of the hearing room.

Be Organized

Although thousands of documents may have been exchanged during the prehearing discovery process, it is your job to winnow those documents to the critical ones that support your case.

Consider setting up a conference call with opposing counsel to stipulate to a procedure that minimizes confusion, fosters expeditious presentation of witness testimony, and is fair to both parties. For example, counsel can agree that they will provide each other with a list of the witnesses their side will call the following day, the order of the witnesses' testimony, and a list of documents that are reasonably anticipated to be used during direct examination of that witness. Counsel should consider stipulating to the admissibility of *all* business records when appropriate and agree to avoid wasting hearing time laying an evidentiary foundation to establish that a document is a business record. If there are objections to any of the exhibits to be used in direct examination, the parties should meet and confer to resolve the objections. If they cannot reach a resolution, the objections should be brought to the arbitrator's attention as promptly as possible to avoid interference with the scheduled timeframe for the hearing.

At the hearing, counsel should provide the arbitrator and opposing counsel with a notebook of exhibits to be used during direct examination of each witness. At the conclusion of the hearing, counsel for the parties or their paralegals should confer to ensure both that they are in agreement regarding which exhibits have been admitted and that the arbitrator has copies of every admitted exhibit.

In many arbitrations, the parties desire to split the time evenly. Counsel should designate a paralegal or other individual to keep track of the time used by each side during the hearing.

Hopefully, there will be no disagreement over the allocation of time. If there are any such disputes, they should be raised with the arbitrator immediately.

The above logistical and procedural agreements are recommended because the goal of arbitration is to present the parties' dispute as efficiently, clearly, and substantively as possible, so that the arbitration tribunal can render a decision fairly and expeditiously. Seasoned arbitrators will not allow arbitration proceedings to get bogged down in procedural wrangling. Similarly, effective advocates in arbitration should act preemptively to preclude those types of distractions from occurring during the course of the hearing.

Use Demonstrative Exhibits

In preparing a case, good lawyers become completely conversant with all of the key documents, dates of meetings, and critical events. Share your knowledge with the arbitrator by presenting a clear, cogent timeline that distills these critical dates, documents, and events. A concise chronology makes it easier for the arbitrator to absorb the salient facts to reach a rational conclusion. Graphs, damages charts, maps, photographs, and videos are all useful, particularly in a complex case. It is helpful to highlight critical portions of key documents or provide "call outs" of key passages in a document.

The trial lawyer's job is to educate the arbitration tribunal regarding the case. To be more effective and persuasive, a trial lawyer should provide evidentiary support for the case theories and reinforce trial themes with documentary and graphic evidence.

Be Strategic in Direct Examinations

Learning to prioritize makes you a more persuasive advocate. Before deciding to call any witness to testify, ask yourself the following questions: Why call this witness? How will the witness address any element of the claims or defenses? What exhibits can be introduced through the witness? How can the witness bolster or detract from the credibility of others who may testify? And how can the witness strengthen the presentation of the case or appeal to the arbitrator's sense of justice?[3]

Direct examinations should provide supporting details on issues that are important to the claims or defenses of your case. Details on unessential points cause confusion and detract from the persuasiveness of your client's story. As all good trial lawyers know, the key principles of persuasion are primacy, recency, and strategic repetition. The most important information should be presented first and last. Less important details can be sandwiched in the middle. In general, dwell on the important points of each witness's testimony, emphasizing their significance. Start strong and end strong.

Present Compelling Cross-Examination

As in any trial, the advocate in arbitration must cross-examine carefully and briefly, always setting realistic goals. As a cross-examiner, you have the right to ask leading questions and the right to insist on a responsive answer. Remember that cross-examination is undertaken only to serve some purpose within your theory of the case. Before cross-examining a witness, determine whether the cross-examination can:

- be used to establish facts detrimental to the opposing party's case;
- create inconsistencies among the opposing party's witnesses;
- point out positive facts to support your client's version of events;
- discredit the witness by showing that the witness is biased or has a financial interest in the outcome of the case;
- reveal that the witness has testified inconsistently or been untruthful in the past; or
- demonstrate that the witness's testimony is inherently implausible, or that the testimony conflicts with the testimony of other, more credible witnesses.

The bottom line is that you should be selective in how you choose to cross-examine each witness.

Cross-examination of an opposing party's expert witness requires additional preparation. Do your homework. Your research should include the subject matter on which the expert is testifying, as well as the expert witness's professional background. What articles or books has the expert published? Can you obtain transcripts of prior trial and/or deposition testimony of the expert? Are you able to impeach the expert

10 TIPS FOR EFFECTIVE ADVOCACY IN ARBITRATION

1. Get involved in counseling clients and corporate lawyers regarding best practices in drafting arbitration clauses.
2. At the earliest stage of the proceeding, take advantage of the opportunity to make a positive first impression and begin the critical process of persuasion.
3. Prepare promptly for the preliminary hearing; work cooperatively with opposing counsel; and consider customized procedures for the hearing on the merits.
4. Resist the urge to file non-dispositive discovery motions.
5. Seize the power of prehearing briefs.
6. Keep your opening statement short, clear, and persuasive.
7. Be professional, organized, and strategic.
8. Use demonstrative exhibits effectively.
9. Embrace questions from the arbitrator.
10. In your closing argument and/or post-hearing brief, include ample evidentiary support for your case theory, invoke the trial themes, and provide analytical support in the case law.

with his own prior assertions in other cases?

Other areas for potential cross-examination of experts include favorable concessions on threshold issues. For example, the opposing expert may agree with your own expert on certain points or may acknowledge the reliability of your own expert's data or the validity of her assumptions. You may be able to elicit concessions regarding several of the major premises of your case, even if the expert disagrees with your ultimate conclusion. You may also be able to extract a significant criticism of the opposing party's conduct. In other words, even if the opposing party's expert has reached a final conclusion favorable to the party that hired her, she may be unwilling to approve all of that party's underlying conduct.

Finally, you may be able to challenge the expert witness's independence and impartiality. Some experts have an ongoing relationship with opposing counsel or the opposing party, which compromises the independence of their opinions.

Like cross-examination of a fact witness, the best practice is to cross-examine an expert witness briefly, saving the best for last, and emphasizing primacy and recency.

Embrace Questions from the Arbitrator

The arbitrators' questions may provide some insight into what is puzzling or confusing them. Don't squander the opportunity to clarify or enlighten the panel. Keep an eye out for the arbitrators' reactions to testimony. And make sure that the arbitrators have an exhibit in front of them before questioning the witness about it.

If your client can afford to use technology to project exhibits digitally on a large screen, that can be a helpful tool for the trier of fact. It enables the arbitration panel to follow along as you highlight, in real time, the key sentences or paragraphs that are the subject of fact or expert witness testimony.

Present a Powerful Closing Argument and/or Post-Hearing Brief

Final argument is a critical point in the case to demonstrate your advocacy skills. This is the time to focus your analytic, interpretive, and forensic skills on the task of persuasion. The final argument must communicate your theory of the case, supporting the themes with a synthesis of the evidence adduced from various witnesses and exhibits in a manner that leads ineluctably to the conclusion that your client should prevail. Your final argument must be logical, legally supportable, and credible. In final argument, unlike opening statement, you are entitled to draw legal conclusions based on the evidence presented.

If your client has a court reporter at the hearing, the reporter's transcript can provide invaluable assistance in preparing closing argument or a post-hearing brief. You can use excerpts from the transcript to emphasize the import of a witness's testimony. Post-hearing briefs should provide the tribunal with supporting case law, highlighting key portions of the applicable legal authority.

Your closing argument and/or post-hearing brief must tell a persuasive story, with ample evidentiary support for your case theory. It should consistently invoke the trial themes and provide analytical support in the case law.

If you represent the claimant, it is imperative to articulate clearly the relief that your client is seeking. Provide the arbitrator or arbitration panel with a calculation of the damages being sought. If you represent the respondent and are challenging the claimant's damages, provide a detailed analysis of the errors in the claimant's calculation and, if applicable, state the assumptions on which your alternative calculation is based.

To the extent possible, do not resort to reading your argument from a prepared text. Make every effort to maintain eye contact and communicate directly with the arbitrator. The speed, inflection, and volume of your voice can be important persuasive tools. If you have an impassioned closing argument, don't be overly dramatic or emotional in ways that undermine your credibility.

In your post-hearing brief, put yourself in the arbitrator's shoes. Think about what you would want to know about the case to render a decision in favor of your client. Make sure that your brief is easy to read and well organized, with headings and subheadings to facilitate access to key points. The closing argument and post-hearing brief provide opportunities to address any inferences to be drawn from your cross-examinations. These final communications with the arbitrator are the culmination of the case. A good closing argument can crystalize and enhance a well prepared evidentiary presentation, but it is unlikely to resurrect a poorly presented case.

Conclusion

Understanding the salient differences between arbitration and litigation and following the tips outlined in this article will help counsel become a more effective and persuasive advocate in arbitration. CL

Jane Michaels is a partner at Holland & Hart LLP. She focuses her practice on alternative dispute resolution and serves as an arbitrator and mediator in commercial and intellectual property disputes. She is on the American Arbitration Association's panel for large and complex commercial cases and serves as an arbitrator in international disputes administered by the International Centre for Dispute Resolution. Michaels is a member of the National Academy of Distinguished Neutrals and a Fellow of the College of Commercial Arbitrators—jmichaels@hollandhart.com.

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NOTES

1. If the AAA's Commercial Rules apply, the arbitrator is empowered to determine the arbitrability of a claim.

2. The AAA provides sample arbitration clauses that include the following language: "Judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof." *See* www.adr.org/Clauses.

3. For an in-depth treatment of arbitration advocacy skills, consult Cooley with Lubet, *Arbitration Advocacy* (NITA 2d ed. 2003).

Doc. No. 8

Arbitrators Ethics Guidelines

Introduction

A. The purpose of these Ethics Guidelines is to provide basic guidance to JAMS Arbitrators regarding ethical issues that may arise during or related to the Arbitration process. Arbitration is an adjudicative dispute resolution procedure in which a neutral decision maker issues an Award. Parties are often represented by counsel who argue the case before a single Arbitrator or a panel of three Arbitrators, who adjudicate, or judge, the matter based on the evidence presented.

B. Arbitration - either entered into voluntarily after a dispute has occurred, or as agreed to in a pre-dispute contract clause - is generally binding. By entering into the Arbitration process, the Parties have agreed to accept an Arbitrator's decision as final. There are instances when an Arbitrator's decision may be modified or vacated, but they are extremely rare. The Parties in an Arbitration trade the right to full review for a speedier, less expensive and private process in which it is certain there will be an appropriately expeditious resolution.

C. Other sets of ethics guidelines for Arbitrators exist, such as those promulgated by the National Academy of Arbitrators and jointly by the American Arbitration Association and the American Bar Association. An Arbitrator may wish to review these for informational purposes.

D. These Guidelines are national in scope and are necessarily general. They are not intended to supplant applicable state or local law or rules. An Arbitrator should be aware of applicable state statutes or court rules, such as laws concerning disclosure that may apply to the Arbitrations being conducted. In the event that these Guidelines are inconsistent with such statutes or rules, an Arbitrator must comply with the applicable law.

E. In addition, most states have promulgated codes of ethics for judges and other public judicial officers. In some instances, these codes apply to certain activities of private judges, such as court-ordered Arbitrations. Arbitrators should comply with codes that are specifically applicable to them or to their activities. Where the codes do not specifically apply, an Arbitrator may choose to comply voluntarily with the requirements of such codes.

F. The ethical obligations of an Arbitrator begin as soon as the Arbitrator becomes aware of potential selection by the Parties and continue even after the decision in the case has been rendered. JAMS strongly encourages Arbitrators to address ethical issues that may arise in their cases as soon as an issue becomes apparent, and where appropriate to seek advice on how to resolve such issues from the National Arbitration Committee.

G. The Guidelines in Articles I through IX apply to neutral Arbitrators regardless of the method by which they may

have been selected. Article X is intended to apply to Party-appointed Arbitrators who are non-neutral.

Many Arbitration agreements provide for the appointment of an Arbitrator by each Party and the appointment of the third Arbitrator by the two Party-appointed Arbitrators. Party-appointed Arbitrators should be presumed to be neutral, unless the parties' agreement, the arbitration rules agreed to by the parties or applicable laws provide otherwise.

1. Where the Party-appointed Arbitrator is expected to be non-neutral, some of the Guidelines applicable to neutral Arbitrators do not apply or are altered to suit this process. For example, while non-neutral Arbitrators must disclose any matters that might affect their independence, the opposing Party ordinarily may not disqualify such person from service as an Arbitrator.
2. It is appropriate for the party appointed arbitrators to address the status of their service with the party that appointed them, with each other and with the neutral arbitrator and to determine whether the Parties would prefer that they act in a neutral capacity.
3. *Note regarding international Arbitrations.* Tripartite Arbitrations in which the Parties each appoint one Arbitrator are common in international disputes; however, all Arbitrators, by whomever appointed, are expected to be independent of the Parties and to be neutral. They are sometimes expected to communicate *ex parte* with the Party that appointed them solely for purposes of the selection of the chairman and not otherwise.

H. These Guidelines do not establish new or additional grounds for judicial review of Arbitration Awards.

Guidelines

I. AN ARBITRATOR SHOULD UPHOLD THE DIGNITY AND INTEGRITY OF THE OFFICE OF THE ARBITRATION PROCESS.

An Arbitrator has a responsibility to the Parties, to other participants in the proceeding, and to the profession. An Arbitrator should seek to discern and refuse to lend approval or consent to any attempt by a Party of its representative to use Arbitration for a purpose other than the fair and efficient resolution of a dispute.

II. AN ARBITRATOR SHOULD BE COMPETENT TO ARBITRATE THE PARTICULAR MATTER.

An Arbitrator should accept an appointment only if the Arbitrator meets the Parties' stated requirements in the agreement to arbitrate regarding professional qualifications. An Arbitrator should prepare before the Arbitration by reviewing any statements or documents submitted by the Parties. An Arbitrator should refuse to serve or should withdraw from the Arbitration if the Arbitrator becomes physically or mentally unable to meet the reasonable expectations of the Parties.

III. AN ARBITRATOR SHOULD INFORM ALL PARTIES OF THE ROLE OF THE ARBITRATOR AND THE RULES OF THE ARBITRATION PROCESS.

A. An Arbitrator should ensure that all Parties understand the Arbitration process, the Arbitrator's role in that process, and the relationship of the Parties to the Arbitrator.

B. An Arbitrator may encourage the Parties to mediate their dispute but should not suggest that the Arbitrator serve as the mediator. In the event that, prior to or during the Arbitration, all Parties request an Arbitrator to participate in discussions of settlement or to combine the Arbitration with another dispute resolution process, the Arbitrator should explain how the Arbitrator's role and relationship to the Parties may be altered, including the impact such a shift may have on the willingness of the Parties to disclose certain information to the Arbitrator serving in the settlement-related role. Nothing in these Guidelines is intended to prevent an Arbitrator from acting as a neutral in another dispute resolution process in the same case, if requested to do so by all Parties and if an appropriate written waiver is obtained. The Parties should, however, be given the opportunity to select another neutral to conduct any such process.

IV. AN ARBITRATOR SHOULD MAINTAIN CONFIDENTIALITY APPROPRIATE TO THE PROCESS.

A. Unless otherwise agreed by the Parties, or required by applicable rules or law, an Arbitrator should keep confidential all matters relating to the Arbitration proceedings and decisions.

B. An Arbitrator should not discuss a case with persons not involved directly in the Arbitration unless the identity of the Parties and details of the case are sufficiently obscured to eliminate any realistic probability of identification.

C. An Arbitrator may discuss a case with another member of the Arbitration panel hearing that case, whether or not all panel members are present.

D. An Arbitrator should not use confidential information acquired during the Arbitration proceeding to gain personal advantage or advantage of others, or to affect adversely the interest of another. An Arbitrator should not inform anyone of the decision in advance of giving it to all Parties. Where there is more than one Arbitrator, an Arbitrator should not disclose to anyone the deliberations of the Arbitrators.

E. An Arbitrator should not participate in post-Award proceedings, except (1) if requested to make a correction to or clarification of an Award, (2) if required by law or (3) if requested by all Parties to participate in a subsequent dispute resolution procedure in the same case.

V. AN ARBITRATOR SHOULD ENSURE THAT HE OR SHE HAS NO KNOWN CONFLICT OF INTEREST REGARDING THE CASE, AND SHOULD ENDEAVOR TO AVOID ANY APPEARANCE OF A CONFLICT OF INTEREST.

A. An Arbitrator should promptly disclose, or cause to be disclosed all matters required by applicable law and any actual or potential conflict of interest or relationship or other information, of which the Arbitrator is aware, that reasonably could lead a Party to question the Arbitrator's impartiality.

B. An Arbitrator may establish social or professional relationships with lawyers and members of other professions. There should be no attempt to be secretive about such relationships but disclosure is not necessary unless some feature of a particular relationship might reasonably appear to impair impartiality.

C. An Arbitrator should not proceed with the process unless all Parties have acknowledged and waived any actual or potential conflict of interest. If the conflict of interest casts serious doubt on the integrity of the process, an Arbitrator should withdraw, notwithstanding receipt of a full waiver.

D. An Arbitrator's disclosure obligations continue throughout the course of the Arbitration and require the Arbitrator to disclose, at any stage of the Arbitration, any such interest or relationship that may arise, or that is recalled or discovered. Disclosure should be made to all Parties, and the Arbitrator should accept such work only where the Arbitrator believes it can be undertaken without an actual or apparent conflict of interest. Where more than one Arbitrator is appointed, each should inform the others of the interests and relationships that have been disclosed.

E. An Arbitrator should avoid conflicts of interest in recommending the services of other professionals. If an Arbitrator is unable to make a personal recommendation without creating a potential or actual conflict of interest, the Arbitrator should so advise the Parties and refer them to a professional service, provider or association.

F. After an Award or decision is rendered in an Arbitration, an Arbitrator should refrain from any conduct involving a Party, insurer or counsel to a Party to the Arbitration that would cast reasonable doubt on the integrity of the Arbitration process, absent disclosure to and consent by all the Parties to the Arbitration. This does not preclude an Arbitrator from serving as an Arbitrator or in another neutral capacity with a Party, insurer or counsel involved in the prior Arbitration, provided that appropriate disclosures are made about the prior Arbitration to the Parties to the new matter.

G. Other than agreed fee and expense reimbursement, an Arbitrator should not accept a gift or item of value from a Party, insurer or counsel to a pending Arbitration. Unless a period of time has elapsed sufficient to negate any appearance of a conflict of interest, an Arbitrator should not accept a gift or item of value from a Party to a completed Arbitration, except that this provision does not preclude an Arbitrator from engaging in normal, social interaction with a Party, insurer or counsel to an Arbitration once the Arbitration is completed.

H. Where relevant state or local rule or statute is more specific than these Guidelines as to Arbitrator disclosure, it should be followed.

VI. AN ARBITRATOR SHOULD ENDEAVOR TO PROVIDE AN EVENHANDED AND UNBIASED PROCESS AND TO TREAT ALL PARTIES WITH RESPECT AT ALL STAGES OF THE PROCEEDINGS.

A. An Arbitrator should remain impartial throughout the course of the Arbitration. Impartiality means freedom from favoritism either by word or action. The Arbitrator should be aware of and avoid the potential for bias based on the Parties' backgrounds, personal attributes or conduct during the Arbitration, or based on the Arbitrator's pre-existing knowledge of or opinion about the merits of the dispute being arbitrated. An Arbitrator should not permit any social or professional relationship with a Party, insurer or counsel to a Party to an Arbitration to affect his or her decision-making. If an Arbitrator becomes incapable of maintaining impartiality, the Arbitrator should withdraw.

B. An Arbitrator should perform duties diligently and conclude the case as promptly as the circumstances reasonably permit. An Arbitrator should be courteous to the Parties, to their representatives and to the witnesses, and should encourage similar conduct by all participants in the proceedings. An Arbitrator should make all reasonable efforts to prevent the Parties, their representatives, or other participants from engaging in delaying tactics, harassment of Parties or other participants, or other abuse or disruption of the Arbitration process.

C. Unless otherwise provided in an agreement of the Parties, (1) an Arbitrator should not discuss a case with any Party in the absence of every other Party, except that if a Party fails to appear at a hearing after having been given

due notice, the Arbitrator may discuss the case with any Party who is present; and (2) whenever an Arbitrator communicates in writing with one Party, the Arbitrator should, at the same time, send a copy of the communication to every other Party. Whenever an Arbitrator receives a written communication concerning the case from one Party that has not already been sent to each Party, the Arbitrator should do so.

D. When there is more than one Arbitrator, the Arbitrators should afford each other full opportunity to participate in all aspects of the Arbitration proceedings.

VII. AN ARBITRATOR SHOULD WITHDRAW UNDER CERTAIN CIRCUMSTANCES.

A. An Arbitrator should withdraw from the process if the Arbitration is being used to further criminal conduct, or for any of the reasons set forth above - insufficient knowledge of relevant procedural or substantive issues, a conflict of interest that has not been or cannot be waived, the Arbitrator's inability to maintain impartiality, or the Arbitrator's physical or mental disability. In addition, an Arbitrator should be aware of the potential need to withdraw from the case if procedural or substantive unfairness appears to have irrevocably undermined the integrity of the Arbitration process.

B. Except where an Arbitrator is obligated to withdraw or where all Parties request withdrawal, an Arbitrator should continue to serve in the matter.

VIII. AN ARBITRATOR SHOULD MAKE DECISIONS IN A JUST, INDEPENDENT AND DELIBERATE MANNER.

A. An Arbitrator should, after careful deliberation and exercising independent judgment, promptly or otherwise within the time period agreed to by the Parties or by JAMS Rules, decide all issues submitted for determination and issue an Award. An Arbitrator's Award should not be influenced by fear or criticism or by any interest in potential future case referrals by any of the Parties or counsel, nor should an Arbitrator issue an Award that reflects a compromise position in order to achieve such acceptability. An Arbitrator should not delegate the duty to decide to any other person.

B. If, at any stage of the Arbitration process, all Parties agree upon a settlement of the issues in dispute and request the Arbitrator to embody the agreement in a Consent Award, the Arbitrator should comply with such request unless the Arbitrator believes the terms of the agreement are illegal or undermine the integrity of the Arbitration process. If the Arbitrator is concerned about the possible consequences of the proposed Consent Award, he or she may inform the Parties of that concern and may request additional specific information from the Parties regarding the proposed Consent Award. The Arbitrator may refuse to enter the proposed Consent Award and may withdraw from the case.

IX. AN ARBITRATOR SHOULD UPHOLD THE DIGNITY AND INTEGRITY OF THE ARBITRATION PROCESS IN MATTERS RELATING TO MARKETING AND COMPENSATION.

An Arbitrator should avoid marketing that is misleading or that compromises impartiality. An Arbitrator should ensure that any advertising or other marketing to the public conducted on the Arbitrator's behalf is truthful. An Arbitrator may discuss issues relating to compensation with the Parties but should not engage in such discussions if they create an appearance of coercion or other impropriety and should not engage in *ex parte* communications

regarding compensation.

X. ETHICAL GUIDELINES APPLICABLE TO NON-NEUTRAL ARBITRATORS.

These Guidelines are applicable to non-neutral Arbitrators, except as follows:

Guideline III: A non-neutral Arbitrator should ensure that all Parties and other Arbitrators are aware of his or her non-neutral status.

Guideline V: A non-neutral Arbitrator is obligated to make disclosures of any actual or potential conflicts of interest, although a non-neutral Arbitrator is not obligated to withdraw if requested to do so only by the party who did not appoint him or her.

Guideline VI:

1. A non-neutral Arbitrator may be predisposed toward the Party who appointed him or her but in all other respects is obligated to act in good faith and with integrity and fairness.
2. A non-neutral Arbitrator may engage in *ex parte* communication with the Party that appointed him or her, but should disclose to the Parties and the other Arbitrators the fact that such communications are occurring and should honor any agreement reached with the Parties and the other Arbitrators regarding the timing and nature of such communications.

Guideline IX: The compensation arrangements between a non-neutral Arbitrator and the Party that appointed him or her usually is treated as confidential but may be disclosed in connection with any fee application in the Arbitration proceeding.

For more information, please call your local JAMS office at 1-800-352-5267.

Arbitration Resources

What is Arbitration?

Rules, Clauses, and Procedures ›

Discovery Protocols ›

Consumer Minimum Standards ›

Arbitrators Ethics Guidelines ›

Doc. No. 9

The Code of Ethics for Arbitrators in Commercial Disputes

Effective March 1, 2004

The Code of Ethics for Arbitrators in Commercial Disputes was originally prepared in 1977 by a joint committee consisting of a special committee of the American Arbitration Association® and a special committee of the American Bar Association. The Code was revised in 2003 by an ABA Task Force and special committee of the AAA®.

Preamble

The use of arbitration to resolve a wide variety of disputes has grown extensively and forms a significant part of the system of justice on which our society relies for a fair determination of legal rights. Persons who act as arbitrators therefore undertake serious responsibilities to the public, as well as to the parties. Those responsibilities include important ethical obligations.

Few cases of unethical behavior by commercial arbitrators have arisen. Nevertheless, this Code sets forth generally accepted standards of ethical conduct for the guidance of arbitrators and parties in commercial disputes, in the hope of contributing to the maintenance of high standards and continued confidence in the process of arbitration.

This Code provides ethical guidelines for many types of arbitration but does not apply to labor arbitration, which is generally conducted under the **Code of Professional Responsibility for Arbitrators of Labor-Management Disputes.**

There are many different types of commercial arbitration. Some proceedings are conducted under arbitration rules established by various organizations and trade associations, while others are conducted without such rules. Although most proceedings are arbitrated pursuant to voluntary agreement of the parties, certain types of disputes are submitted to arbitration by reason of particular laws. This Code is intended to apply to all such proceedings in which disputes or claims are submitted for decision to one or more arbitrators appointed in a manner provided by an agreement of the parties, by applicable arbitration rules, or by law. In all such cases, the persons who have the power to decide should observe fundamental standards of ethical conduct. In this Code, all such persons are called "arbitrators," although in some types of proceeding they might be called "umpires," "referees," "neutrals," or have some other title.

Arbitrators, like judges, have the power to decide cases. However, unlike full-time judges, arbitrators are usually engaged in other occupations before, during, and after the time that they serve as arbitrators. Often, arbitrators are purposely chosen from the same trade or industry as the parties in order to bring special knowledge to the task of deciding. This Code recognizes these fundamental differences between arbitrators and judges.

In those instances where this Code has been approved and recommended by organizations that provide, coordinate, or administer services of arbitrators, it provides ethical standards for the members of their respective panels of arbitrators. However, this Code does not form a part of the arbitration rules of any such organization unless its rules so provide.

Note on Neutrality

In some types of commercial arbitration, the parties or the administering institution provide for three or more arbitrators. In some such proceedings, it is the practice for each party, acting alone, to appoint one arbitrator (a "party-appointed arbitrator") and for one additional arbitrator to be designated by the party-appointed arbitrators, or by the parties, or by an independent institution or individual. The sponsors of this Code believe that it is preferable for all arbitrators including any party-appointed arbitrators to be neutral, that is, independent and impartial, and to comply with the same ethical standards. This expectation generally is essential in arbitrations where the parties, the nature of the dispute, or the enforcement of any resulting award may have international aspects. However, parties in certain domestic arbitrations in the United States may prefer that party-appointed arbitrators be non-neutral and governed by special ethical considerations. These special ethical considerations appear in Canon X of this Code.

This Code establishes a presumption of neutrality for all arbitrators, including party-appointed arbitrators, which applies unless the parties' agreement, the arbitration rules agreed to by the parties or applicable laws provide otherwise. This Code requires all party-appointed arbitrators, whether neutral or not, to make pre-appointment disclosures of any facts which might affect their neutrality, independence, or impartiality. This Code also requires all party-appointed arbitrators to ascertain and disclose as soon as practicable whether the parties intended for them to serve as neutral or not. If any doubt or uncertainty exists, the party-appointed arbitrators should serve as neutrals unless and until such doubt or uncertainty is resolved in accordance with Canon IX. This Code expects all arbitrators, including those serving under Canon X, to preserve the integrity and fairness of the process.

Note on Construction

Various aspects of the conduct of arbitrators, including some matters covered by this Code, may also be governed by agreements of the parties, arbitration rules to which the parties have agreed, applicable law, or other applicable ethics rules, all of which should be consulted by the arbitrators. This Code does not take the place of or supersede such laws, agreements, or arbitration rules to which the parties have agreed and should be read in conjunction with other rules of ethics. It does not establish new or additional grounds for judicial review of arbitration awards.

All provisions of this Code should therefore be read as subject to contrary provisions of applicable law and arbitration rules. They should also be read as subject to contrary agreements of the parties. Nevertheless, this Code imposes no obligation on any arbitrator to act in a manner inconsistent with the arbitrator's fundamental duty to preserve the integrity and fairness of the arbitral process.

Canons I through VIII of this Code apply to all arbitrators. Canon IX applies to all party-appointed arbitrators, except that certain party-appointed arbitrators are exempted by Canon X from compliance with certain provisions of Canons I-IX related to impartiality and independence, as specified in Canon X.

CANON I: An arbitrator should uphold the integrity and fairness of the arbitration process.

A. An arbitrator has a responsibility not only to the parties but also to the process of arbitration itself, and must observe high standards of conduct so that the integrity and fairness of the process will be preserved. Accordingly, an arbitrator should recognize a responsibility to the public, to the parties whose rights will be decided, and to all other participants in the proceeding. This responsibility may include pro bono service as an arbitrator where appropriate.

B. One should accept appointment as an arbitrator only if fully satisfied:

(1) that he or she can serve impartially;

(2) that he or she can serve independently from the parties, potential witnesses, and the other arbitrators;

(3) that he or she is competent to serve; and

(4) that he or she can be available to commence the arbitration in accordance with the requirements of the proceeding and thereafter to devote the time and attention to its completion that the parties are reasonably entitled to expect.

C. After accepting appointment and while serving as an arbitrator, a person should avoid entering into any business, professional, or personal relationship, or acquiring any financial or personal interest, which is likely to affect impartiality or which might reasonably create the appearance of partiality. For a reasonable period of time after the decision of a case, persons who have served as arbitrators should avoid entering into any such relationship, or acquiring any such interest, in circumstances which might reasonably create the appearance that they had been influenced in the arbitration by the anticipation or expectation of the relationship or interest. Existence of any of the matters or circumstances described in this paragraph C does not render it unethical for one to serve as an arbitrator where the parties have consented to the arbitrator's appointment or continued services following full disclosure of the relevant facts in accordance with Canon II.

D. Arbitrators should conduct themselves in a way that is fair to all parties and should not be swayed by outside pressure, public clamor, and fear of criticism or self-interest. They should avoid conduct and statements that give the appearance of partiality toward or against any party.

E. When an arbitrator's authority is derived from the agreement of the parties, an arbitrator should neither exceed that authority nor do less than is required to exercise that authority completely. Where the agreement of the parties sets forth procedures to be followed in conducting the arbitration or refers to rules to be followed, it is the obligation of the arbitrator to comply with such procedures or rules. An arbitrator has no ethical obligation to comply with any agreement, procedures or rules that are unlawful or that, in the arbitrator's judgment, would be inconsistent with this Code.

F. An arbitrator should conduct the arbitration process so as to advance the fair and efficient resolution of the matters submitted for decision. An arbitrator should make all reasonable efforts to prevent delaying tactics, harassment of parties or other participants, or other abuse or disruption of the arbitration process.

G. The ethical obligations of an arbitrator begin upon acceptance of the appointment and continue throughout all stages of the proceeding. In addition, as set forth in this Code, certain ethical obligations begin as soon as a person is requested to serve as an arbitrator and certain ethical obligations continue after the decision in the proceeding has been given to the parties.

H. Once an arbitrator has accepted an appointment, the arbitrator should not withdraw or abandon the appointment unless compelled to do so by unanticipated circumstances that would render it impossible or impracticable to continue. When an arbitrator is to be compensated for his or her services, the arbitrator may withdraw if the parties fail or refuse to provide for payment of the compensation as agreed.

I. An arbitrator who withdraws prior to the completion of the arbitration, whether upon the arbitrator's initiative or upon the request of one or more of the parties, should take reasonable steps to protect the interests of the parties in the arbitration, including return of evidentiary materials and protection of confidentiality.

Comment to Canon I

A prospective arbitrator is not necessarily partial or prejudiced by having acquired knowledge of the parties, the applicable law or the customs and practices of the business involved. Arbitrators may also have special experience or expertise in the areas of business, commerce, or technology which are involved in the arbitration. Arbitrators do not contravene this Canon if, by virtue of such experience or expertise, they have views on certain general issues likely to arise in the arbitration, but an arbitrator may not have prejudged any of the specific factual or legal determinations to be addressed during the arbitration.

During an arbitration, the arbitrator may engage in discourse with the parties or their counsel, draw out arguments or contentions, comment on the law or evidence, make interim rulings, and otherwise control or direct the arbitration. These activities are integral parts of an arbitration. Paragraph D of Canon I is not intended to preclude or limit either full discussion of the issues during the course of the arbitration or the arbitrator's management of the proceeding.

CANON II: An arbitrator should disclose any interest or relationship likely to affect impartiality or which might create an appearance of partiality.

A. Persons who are requested to serve as arbitrators should, before accepting, disclose:

- **(1)** any known direct or indirect financial or personal interest in the outcome of the arbitration;
- **(2)** any known existing or past financial, business, professional or personal relationships which might reasonably affect impartiality or lack of independence in the eyes of any of the parties. For example, prospective arbitrators should disclose any such relationships which they personally have with any party or its lawyer, with any co-arbitrator, or with any individual whom they have been told will be a witness. They should also disclose any such relationships involving their families or household members or their current employers, partners, or professional or business associates that can be ascertained by reasonable efforts;
- **(3)** the nature and extent of any prior knowledge they may have of the dispute; and
- **(4)** any other matters, relationships, or interests which they are obligated to disclose by the agreement of the parties, the rules or practices of an institution, or applicable law regulating arbitrator disclosure.

B. Persons who are requested to accept appointment as arbitrators should make a reasonable effort to inform themselves of any interests or relationships described in paragraph A.

C. The obligation to disclose interests or relationships described in paragraph A is a continuing duty which requires a person who accepts appointment as an arbitrator to disclose, as soon as practicable, at any stage of the arbitration, any such interests or relationships which may arise, or which are recalled or discovered.

D. Any doubt as to whether or not disclosure is to be made should be resolved in favor of disclosure.

E. Disclosure should be made to all parties unless other procedures for disclosure are provided in the agreement of the parties, applicable rules or practices of an institution, or by law. Where more than one arbitrator has been appointed, each should inform the others of all matters disclosed.

F. When parties, with knowledge of a person's interests and relationships, nevertheless desire that person to serve as an arbitrator, that person may properly serve.

G. If an arbitrator is requested by all parties to withdraw, the arbitrator must do so. If an arbitrator is requested to withdraw by less than all of the parties because of alleged partiality, the arbitrator should withdraw unless either of the following circumstances exists:

(1) An agreement of the parties, or arbitration rules agreed to by the parties, or applicable law establishes procedures for determining challenges to arbitrators, in which case those procedures should be followed; or

(2) In the absence of applicable procedures, if the arbitrator, after carefully considering the matter, determines that the reason for the challenge is not substantial, and that he or she can nevertheless act and decide the case impartially and fairly.

H. If compliance by a prospective arbitrator with any provision of this Code would require disclosure of confidential or privileged information, the prospective arbitrator should either:

(1) Secure the consent to the disclosure from the person who furnished the information or the holder of the privilege; or

(2) Withdraw.

CANON III: An arbitrator should avoid impropriety or the appearance of impropriety in communicating with parties.

A. If an agreement of the parties or applicable arbitration rules establishes the manner or content of communications between the arbitrator and the parties, the arbitrator should follow those procedures notwithstanding any contrary provision of paragraphs B and C.

B. An arbitrator or prospective arbitrator should not discuss a proceeding with any party in the absence of any other party, except in any of the following circumstances:

(1) When the appointment of a prospective arbitrator is being considered, the prospective arbitrator:

(a) may ask about the identities of the parties, counsel, or witnesses and the general nature of the case; and

(b) may respond to inquiries from a party or its counsel designed to determine his or her suitability and availability for the appointment. In any such dialogue, the prospective arbitrator may receive information from a party or its counsel disclosing the general nature of the dispute but should not permit them to discuss the merits of the case.

(2) In an arbitration in which the two party-appointed arbitrators are expected to appoint the third arbitrator, each party-appointed arbitrator may consult with the party who appointed the arbitrator concerning the choice of the third arbitrator;

(3) In an arbitration involving party-appointed arbitrators, each party-appointed arbitrator may consult with the party who appointed the arbitrator concerning arrangements for any compensation to be paid to the party-appointed arbitrator. Submission of routine written requests for payment of compensation and expenses in accordance with such arrangements and written communications pertaining solely to such requests need not be sent to the other party;

(4) In an arbitration involving party-appointed arbitrators, each party-appointed arbitrator may consult with the party who appointed the arbitrator concerning the status of the arbitrator (i.e., neutral or non-neutral), as contemplated by paragraph C of Canon IX;

(5) Discussions may be had with a party concerning such logistical matters as setting the time and place of hearings or making other arrangements for the conduct of the proceedings. However, the arbitrator should promptly inform each other party of the discussion and should not make any final determination concerning the matter discussed before giving each absent party an opportunity to express the party's views; or

(6) If a party fails to be present at a hearing after having been given due notice, or if all parties expressly consent, the arbitrator may discuss the case with any party who is present.

C. Unless otherwise provided in this Canon, in applicable arbitration rules or in an agreement of the parties, whenever an arbitrator communicates in writing with one party, the arbitrator should at the same time send a copy of the communication to every other party, and whenever the arbitrator receives any written communication concerning the case from one party which has not already been sent to every other party, the arbitrator should send or cause it to be sent to the other parties.

CANON IV: An arbitrator should conduct the proceedings fairly and diligently.

A. An arbitrator should conduct the proceedings in an even-handed manner. The arbitrator should be patient and courteous to the parties, their representatives, and the witnesses and should encourage similar conduct by all participants.

B. The arbitrator should afford to all parties the right to be heard and due notice of the time and place of any hearing. The arbitrator should allow each party a fair opportunity to present its evidence and arguments.

C. The arbitrator should not deny any party the opportunity to be represented by counsel or by any other person chosen by the party.

D. If a party fails to appear after due notice, the arbitrator should proceed with the arbitration when authorized to do so, but only after receiving assurance that appropriate notice has been given to the absent party.

E. When the arbitrator determines that more information than has been presented by the parties is required to decide the case, it is not improper for the arbitrator to ask questions, call witnesses, and request documents or other evidence, including expert testimony.

F. Although it is not improper for an arbitrator to suggest to the parties that they discuss the possibility of settlement or the use of mediation, or other dispute resolution processes, an arbitrator should not exert pressure on any party to settle or to utilize other dispute resolution processes. An arbitrator should not be present or otherwise participate in settlement discussions or act as a mediator unless requested to do so by all parties.

G. Co-arbitrators should afford each other full opportunity to participate in all aspects of the proceedings.

Comment to Paragraph G

Paragraph G of Canon IV is not intended to preclude one arbitrator from acting in limited circumstances (e.g., ruling on discovery issues) where authorized by the agreement of the parties, applicable rules or law, nor does it preclude a majority of the arbitrators from proceeding with any aspect of the arbitration if an arbitrator is unable or unwilling to participate and such action is authorized by the agreement of the parties or applicable rules or law. It also does not preclude *ex parte* requests for interim relief.

CANON V: An arbitrator should make decisions in a just, independent and deliberate manner.

A. The arbitrator should, after careful deliberation, decide all issues submitted for determination. An arbitrator should decide no other issues.

B. An arbitrator should decide all matters justly, exercising independent judgment, and should not permit outside pressure to affect the decision.

C. An arbitrator should not delegate the duty to decide to any other person.

D. In the event that all parties agree upon a settlement of issues in dispute and request the arbitrator to embody that agreement in an award, the arbitrator may do so, but is not required to do so unless satisfied with the propriety of the terms of settlement. Whenever an arbitrator embodies a settlement by the parties in an award, the arbitrator should state in the award that it is based on an agreement of the parties.

CANON VI: An arbitrator should be faithful to the relationship of trust and confidentiality inherent in that office.

A. An arbitrator is in a relationship of trust to the parties and should not, at any time, use confidential information acquired during the arbitration proceeding to gain personal advantage or advantage for others, or to affect adversely the interest of another.

B. The arbitrator should keep confidential all matters relating to the arbitration proceedings and decision. An arbitrator may obtain help from an associate, a research assistant or other persons in connection with reaching his or her decision if the arbitrator informs the parties of the use of such assistance and such persons agree to be bound by the provisions of this Canon.

C. It is not proper at any time for an arbitrator to inform anyone of any decision in advance of the time it is given to all parties. In a proceeding in which there is more than one arbitrator, it is not proper at any time for an arbitrator to inform anyone about the substance of the deliberations of the arbitrators. After an arbitration award has been made, it is not proper for an arbitrator to assist in proceedings to enforce or challenge the award.

D. Unless the parties so request, an arbitrator should not appoint himself or herself to a separate office related to the subject matter of the dispute, such as receiver or trustee, nor should a panel of arbitrators appoint one of their number to such an office.

CANON VII: An arbitrator should adhere to standards of integrity and fairness when making arrangements for compensation and reimbursement of expenses.

A. Arbitrators who are to be compensated for their services or reimbursed for their expenses shall adhere to standards of integrity and fairness in making arrangements for such payments.

B. Certain practices relating to payments are generally recognized as tending to preserve the integrity and fairness of the arbitration process. These practices include:

(1) Before the arbitrator finally accepts appointment, the basis of payment, including any cancellation fee, compensation in the event of withdrawal and compensation for study and preparation time, and all other charges, should be established. Except for arrangements for the compensation of party-appointed arbitrators, all parties should be informed in writing of the terms established;

(2) In proceedings conducted under the rules or administration of an institution that is available to assist in making arrangements for payments, communication related to compensation should be made through the institution. In proceedings where no institution has been engaged by the parties to administer the arbitration, any communication with arbitrators (other than party appointed arbitrators) concerning payments should be in the presence of all parties; and

(3) Arbitrators should not, absent extraordinary circumstances, request increases in the basis of their compensation during the course of a proceeding.

CANON VIII: An arbitrator may engage in advertising or promotion of arbitral services which is truthful and accurate.

A. Advertising or promotion of an individual's willingness or availability to serve as an arbitrator must be accurate and unlikely to mislead. Any statements about the quality of the arbitrator's work or the success of the arbitrator's practice must be truthful.

B. Advertising and promotion must not imply any willingness to accept an appointment otherwise than in accordance with this Code.

Comment to Canon VIII

This Canon does not preclude an arbitrator from printing, publishing, or disseminating advertisements conforming to these standards in any electronic or print medium, from making personal presentations to prospective users of arbitral services conforming to such standards or from responding to inquiries concerning the arbitrator's availability, qualifications, experience, or fee arrangements.

CANON IX: Arbitrators appointed by one party have a duty to determine and disclose their status and to comply with this code, except as exempted by Canon X.

A. In some types of arbitration in which there are three arbitrators, it is customary for each party, acting alone, to appoint one arbitrator. The third arbitrator is then appointed by agreement either of the parties or of the two arbitrators, or failing such agreement, by an independent institution or individual. In tripartite arbitrations to which this Code applies, all three arbitrators are presumed to be neutral and are expected to observe the same standards as the third arbitrator.

B. Notwithstanding this presumption, there are certain types of tripartite arbitration in which it is expected by all parties that the two arbitrators appointed by the parties may be predisposed toward the party appointing them. Those arbitrators, referred to in this Code as "Canon X arbitrators," are not to be held to the standards of neutrality and independence applicable to other arbitrators. Canon X describes the special ethical obligations of party-appointed arbitrators who are not expected to meet the standard of neutrality.

C. A party-appointed arbitrator has an obligation to ascertain, as early as possible but not later than the first meeting of the arbitrators and parties, whether the parties have agreed that the party-appointed arbitrators will serve as neutrals or whether they shall be subject to Canon X, and to provide a timely report of their conclusions to the parties and other arbitrators:

(1) Party-appointed arbitrators should review the agreement of the parties, the applicable rules and any applicable law bearing upon arbitrator neutrality. In reviewing the agreement of the parties, party-appointed arbitrators should consult any relevant express terms of the written or oral arbitration agreement. It may also be appropriate for them to inquire into agreements that have not been expressly set forth, but which may be implied from an established course of dealings of the parties or well-recognized custom and usage in their trade or profession;

(2) Where party-appointed arbitrators conclude that the parties intended for the party-appointed arbitrators not to serve as neutrals, they should so inform the parties and the other arbitrators. The arbitrators may then act as provided in Canon X unless or until a different determination of their status is made by the parties, any administering institution or the arbitral panel; and

(3) Until party-appointed arbitrators conclude that the party-appointed arbitrators were not intended by the parties to serve as neutrals, or if the party-appointed arbitrators are unable to form a reasonable belief of their status from the foregoing sources and no decision in this regard has yet been made by the parties, any administering institution, or the arbitral panel, they should observe all of the obligations of neutral arbitrators set forth in this Code.

D. Party-appointed arbitrators not governed by Canon X shall observe all of the obligations of Canons I through VIII unless otherwise required by agreement of the parties, any applicable rules, or applicable law.

CANON X: Exemptions for arbitrators appointed by one party who are not subject to rules of neutrality.

Canon X arbitrators are expected to observe all of the ethical obligations prescribed by this Code except those from which they are specifically excused by Canon X.

A. *Obligations Under Canon I*

Canon X arbitrators should observe all of the obligations of Canon I subject only to the following provisions:

(1) Canon X arbitrators may be predisposed toward the party who appointed them but in all other respects are obligated to act in good faith and with integrity and fairness. For example, Canon X arbitrators should not engage in delaying tactics or harassment of any party or witness and should not knowingly make untrue or misleading statements to the other arbitrators; and

(2) The provisions of subparagraphs B(1), B(2), and paragraphs C and D of Canon I, insofar as they relate to partiality, relationships, and interests are not applicable to Canon X arbitrators.

B. *Obligations Under Canon II*

(1) Canon X arbitrators should disclose to all parties, and to the other arbitrators, all interests and relationships which Canon II requires be disclosed. Disclosure as required by Canon II is for the benefit not only of the party who appointed the arbitrator, but also for the benefit of the other parties and arbitrators so that they may know of any partiality which may exist or appear to exist; and

(2) Canon X arbitrators are not obliged to withdraw under paragraph G of Canon II if requested to do so only by the party who did not appoint them.

C. *Obligations Under Canon III*

Canon X arbitrators should observe all of the obligations of Canon III subject only to the following provisions:

(1) Like neutral party-appointed arbitrators, Canon X arbitrators may consult with the party who appointed them to the extent permitted in paragraph B of Canon III;

(2) Canon X arbitrators shall, at the earliest practicable time, disclose to the other arbitrators and to the parties whether or not they intend to communicate with their appointing parties. If they have disclosed the intention to engage in such communications, they may thereafter communicate with their appointing parties concerning any other aspect of the case, except as provided in paragraph (3);

(3) If such communication occurred prior to the time they were appointed as arbitrators, or prior to the first hearing or other meeting of the parties with the arbitrators, the Canon X arbitrator should, at or before the first hearing or meeting of the arbitrators with the parties, disclose the fact that such communication has taken place. In complying with the provisions of this subparagraph, it is sufficient that there be disclosure of the fact that such communication has occurred without disclosing the content of the communication. A single timely disclosure of the Canon X arbitrator's intention to participate in such communications in the future is sufficient;

(4) Canon X arbitrators may not at any time during the arbitration:

(a) disclose any deliberations by the arbitrators on any matter or issue submitted to them for decision;

(b) communicate with the parties that appointed them concerning any matter or issue taken under consideration by the panel after the record is closed or such matter or issue has been submitted for decision; or

(c) disclose any final decision or interim decision in advance of the time that it is disclosed to all parties.

(5) Unless otherwise agreed by the arbitrators and the parties, a Canon X arbitrator may not communicate orally with the neutral arbitrator concerning any matter or issue arising or expected to arise in the arbitration in the absence of the other Canon X arbitrator. If a Canon X arbitrator communicates in writing with the neutral arbitrator, he or she shall simultaneously provide a copy of the written communication to the other Canon X arbitrator;

(6) When Canon X arbitrators communicate orally with the parties that appointed them concerning any matter on which communication is permitted under this Code, they are not obligated to disclose the contents of such oral communications to any other party or arbitrator; and

(7) When Canon X arbitrators communicate in writing with the party who appointed them concerning any matter on which communication is permitted under this Code, they are not required to send copies of any such written communication to any other party or arbitrator.

D. *Obligations Under Canon IV*

Canon X arbitrators should observe all of the obligations of Canon IV.

E. *Obligations Under Canon V*

Canon X arbitrators should observe all of the obligations of Canon V, except that they may be predisposed toward deciding in favor of the party who appointed them.

F. *Obligations Under Canon VI*

Canon X arbitrators should observe all of the obligations of Canon VI.

G. *Obligations Under Canon VII*

Canon X arbitrators should observe all of the obligations of Canon VII.

H. *Obligations Under Canon VIII*

Canon X arbitrators should observe all of the obligations of Canon VIII.

I. *Obligations Under Canon IX*

The provisions of paragraph D of Canon IX are inapplicable to Canon X arbitrators, except insofar as the obligations are also set forth in this Canon.

Stephanie Grenald
Vice President – Intellectual Property
HBI Group, Inc. a Hinduja Group Company

Stephanie Y. Grenald is the VP of Intellectual Property at HBI, Group, Inc., a Hinduja Group Company. The Hinduja Group Company is a family company with holdings in Banking & Finance, Transport, Energy (Oil & Power) as well as Technology, Media and Telecom. She oversees intellectual property issues across the Hinduja family's entire product offering, including product counseling, litigation support, and contract drafting and negotiation. Stephanie received her JD from St. John's University School of Law. At, St. John's she was the President of the Women's Law Society, and continues to serve where she can to increase diversity.

Abigail Langsam
Intellectual Property Counsel
Arnold & Porter LLP

Abigail Langsam is intellectual property counsel in the New York office of Arnold & Porter LLP. Her practice focuses on patent litigation, with a particular focus on the life sciences field. Ms. Langsam has represented clients in disputes relating to biologic drug products, small molecule pharmaceuticals, drug delivery technology, biofuels, telecommunications, and computer systems. She has represented both plaintiffs and defendants at every stage of litigation, including trial and appeal, and has practiced in state court, federal court and before the Patent Trial and Appeal Board. Ms. Langsam is also regularly called upon to advise on intellectual property aspects of corporate mergers and acquisitions, and is experienced in conducting patent due diligence investigations.

Ms. Langsam co-chairs the Women in Intellectual Property Committee of the NYIPLA.

NYIPLA
New York Intellectual Property Law Association

One-Day Patent CLE Seminar
Interactive Diversity Panel – Implicit Bias

Presenters: Stephanie Grenald and Abigail Langsam

Agenda

I. **Basics of Implicit Bias**

II. **Impacts of Implicit Bias on the Legal Profession**

III. **What do we do about it?**

What are Implicit Biases?

A. **Conscious prejudice against a particular group based on race, age, nationality, or some other criteria.**
B. **Biases that we carry without awareness or conscious direction.**
C. **Implicit stereotypes and implicit attitudes.**
D. **Answers B & C**
E. **None of the above**

What are Implicit Biases?

A. **Conscious prejudice against a particular group based on race, age, nationality, or some other criteria.**
B. **Biases that we carry without awareness or conscious direction.**
C. **Implicit stereotypes and implicit attitudes.**
D. **Answers B & C**
E. **None of the above**

What are Implicit Biases?

- **In Jerry Kang's "Implicit Bias, A Primer for Courts," he explains the following features of implicit bias:**
  - **Most cognitions are implicit; thoughts take place automatically without our awareness or conscious direction.**
  - **Just as we have implicit cognitions that help us walk and drive, we have implicit social cognitions that guide our thinking about social categories.**
  - **Underlying cognitions include:**
    - **Stereotypes, which are traits that we associate with a category.**
    - **Attitudes, which are overall, evaluative feelings that are positive or negative.**

Where Do Implicit Biases Come From?

A. **Real-world experiences with other people**
B. **Vicarious experiences with other people**
C. **No one knows**
D. **Answers A & B**

Where Do Implicit Biases Come From?

A. **Real-world experiences with other people**
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D. **Answers A & B**

Where Do Implicit Biases Come From?

- **In Jerry Kang's "Implicit Bias, A Primer for Courts," he explains that the implicit cognitions that guide our thinking about social categories come from our experiences with other people – some direct, but most vicarious.**

Who Is Susceptible to Implicit Bias?

A. **Lawyers**
B. **Judges**
C. **Jurors**
D. **Pop stars**
E. **All of the above**

Who Is Susceptible to Implicit Bias?

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Who Is Susceptible to Implicit Bias?

- **Because implicit cognitions about social categories stem from experiences with other people (real-world and vicarious), anyone who lives in society is susceptible to implicit bias.**

What's the Best Way to Measure Implicit Bias?

A. **Observing micro-facial movements**
B. **Measuring neurological activity**
C. **Reaction time tests**
D. **Self reports on surveys**
E. **None of the above**

What's the Best Way to Measure Implicit Bias?

A. **Observing micro-facial movements**
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What's the Best Way to Measure Implicit Bias?

- **Reaction time tests – called Implicit Association Tests ("IATs") – are considered the most reliable measures of implicit social cognitions.**
- **As explained by Harvard's Project Implicit:**
  - **"The IAT measures the strength of associations between concepts (e.g., black people, gay people) and evaluations (e.g., good, bad) or stereotypes (e.g., athletic, clumsy)."**
  - **"The main idea is that making a response is easier when closely related items share the same response key."**

Source: *https://implicit.harvard.edu/implicit/iatdetails.html*

True or False: IATs Show that People Typically Exhibit In-Group Favoritism

A. **True**
B. **False**
C. **It's complicated**

True or False: IATs Show that People Typically Exhibit In-Group Favoritism

A. **True**
B. **False**
C. **It's complicated**

True or False: IATs Show that People Typically Exhibit In-Group Favoritism

- **Data collected from IATs show that those who belong to social groups deemed to be "good" (e.g., the young, European Americans, straight people) show a strong preference for their own groups.**
- **Conversely, those who come from groups that the culture assigns as "bad" (e.g., the elderly, African Americans, gay people) do not show strong in-group preference.**

Source: J. Kang and K. Lane, "*Seeing Through Colorblindness: Implicit Bias and the Law*," 58 UCLA Law Review 465, 476 (2010)

What is "confirmation bias"?

A. **Justice Ginsburg's remark that there will be enough women on the Supreme Court "When there are nine [of them]."**
B. **A mental shortcut that makes one observe and remember information that affirms established beliefs while missing data that contradicts established beliefs.**
C. **A & B.**
D. **None of the above.**

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C. **A & B.**

D. **None of the above.**

Agenda

I. **Basics of Implicit Bias**

II. **Impacts of Implicit Bias on the Legal Profession**

III. **What do we do about it?**

Where does implicit bias affect legal hiring and advancement?

A. At hiring interviews
B. During evaluation of written work
C. At performance reviews
D. All of the above

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C. At performance reviews
D. All of the above

Where does implicit bias affect legal hiring and advancement?

- **At hiring interviews**
  - **Unconscious body language of interviewer**
- **Evaluation of written work**
  - **Writing samples**
  - **Associate memos**
- **Performance reviews**
  - **Investing in an associate who "has potential"**
  - **Dismissing an associate who is "average at best"**

Example: Effect of implicit bias on legal hiring and advancement

- **60 partners at different firms were sent the same legal research memo by fictional "Thomas Meyer" to review**
- **Thomas was stated to be Caucasian or African American**
- **"Caucasian" Thomas' memo was rated 4.1/5.0 and had fewer errors identified**
  - **Comment: "has potential"**
- **"African American" Thomas' memo was rated 3.2/5.0 and had more errors identified**
  - **Comment: "average at best"**

Why Should We Aim for Diverse Legal Teams?

A. **Business performance benefits**
B. **Trial Outcome benefits**
C. **Client satisfaction**
D. **Law firm bottom line**
E. **A through C**
F. **All of the above**

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Diversity on legal teams brings documented business benefits

- **Studies have repeatedly shown that diverse workgroups:**
  - **Perform better**
  - **Are more loyal and committed**
  - **Are more innovative**
  - **Have higher collective intelligence**
  - **Consider more alternatives**
  - **Are better at solving problems**
  - **Make better decisions**

Source: "Diversifying Intellectual Property Law" Johnson, J.S., Evans, T.M., and King, Y.M., Landslide magazine, March/April 2018

Other reasons to diversify your legal team…

- **The face of the judiciary is changing.**

Supreme Court of California, 2018:

Diversity on Legal Teams Can Improve Trial Outcomes

- **A more diverse group of attorneys can better connect with and relate to diverse clients, witnesses, and juries.**
  - **"I've participated in challenging trials when the connection with a diverse jury was a factor in the outcome." - Navan Ward, principal at Beasley, Allen**
- **Using a diverse group of attorneys gives firms the best advantage in representing clients, handling witnesses, and trying cases in front of different juries.**

Clients are demanding diversity

- **Corporate counsel are becoming more diverse at a faster rate than law firms**
- **Many corporations evaluate diversity data as a factor in selection and retention of outside counsel**
- **Facebook now requires that 33% of law firm teams working on its matters are women and ethnic minorities**

Source: "Diversifying Intellectual Property Law" Johnson, J.S., Evans, T.M., and King, Y.M., Landslide magazine, March/April 2018

Economic impacts - loss of business

- **"I've spoken to many minority attorneys who have experienced having a great connection with a potential minority client. But the client ended up not hiring the firm because that minority attorney would not be handling the case or substantively participating in trial."**

-Navan Ward, principal at Beasley, Allen

Economic impacts - Attrition

- **Cost to replace one attorney has been estimated at $200,000-500,000**
- **Attrition rate for women and minority attorneys is higher than for white males**

Source: "Diversifying Intellectual Property Law" Johnson, J.S., Evans, T.M., and King, Y.M., Landslide magazine, March/April 2018

Agenda

I. **Basics of Implicit Bias**

II. **How does Implicit Bias Affect the Legal Profession?**

III. **What do we do about it?**

How do we combat bias?

A. **Mortal Combat**
B. **One-shot diversity trainings**
C. **With a bow and arrow**
D. **Networking programs**
E. **None of the above**

How do we combat bias?

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C. **With a bow and arrow**
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How do we combat bias?

In "You Can't Change What You Can't See: Interrupting Racial and Gender Bias in the Legal Profession" the Commission on Women in the Profession, and the Minority Corporate Counsel Association, collectively explain:

> **"What holds more promise is a paradigm-changing approach to diversity: bias interrupters are basic tweaks to basic business systems that are data driven and can produce measurable change. Bias interrupters change systems not people."**

How to use "Metrics" to change Basic Business Systems

"You Can't Change What You Can't See: Interrupting Racial and Gender Bias in the Legal Profession" the Commission on Women in the Profession, and the Minority Corporate Counsel Association, further explains:

> **"Businesses use metrics to assess their progress toward any strategic goal. Metrics can help you pinpoint where bias exists and assess the effectiveness of the measures you've taken."**

What are important Metrics to analyze?

A. **The candidate pool throughout the entire hiring process. Analyzing where underrepresented groups are falling out of the hiring process**
B. **Whether or not the candidate plays golf well**
C. **Whether or not hiring qualifications are waived more often for some groups**
D. **Both A & C**
E. **None of the above**

What are important Metrics to analyze?

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D. **Both A & C**
E. **None of the above**

What are important Metrics to analyze?

As you analyze each Metric, you should examine whether or not patterned differences exist between majority men, majority women, and/or any underrepresented group that is tracked by your firm or company. Once you have ascertained the differences, you can implement bias interrupters.

What are effective Bias Interrupters?

A. **Work sample screening**
B. **Limiting referral hiring**
C. **Insisting on a diverse pool of candidates**
D. **Requiring accountability**
E. **All of the above**

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What are effective Bias Interrupters?

A. **Work sample screening**

Ask candidates to provide a sample of the types of tasks that they will perform on the job (e.g. writing a legal memo for a fictitious client).

What are effective Bias Interrupters?

B. **Limiting referral hiring**

If your existing firm or company is not diverse, hiring from your current employees' social networks will replicate the lack of diversity.

What are effective Bias Interrupters?

C. **Insisting on a diverse pool of candidates**

Request a diverse pool, not just one or two diverse candidates. A study found the odds of hiring a woman were 79 times greater if there were at least two women in the finalist pool.

What are effective Bias Interrupters?

D. **Requiring accountability**

Commit in writing to what qualifications are important. When qualifications are waived for a specific candidate, require an explanation of why they are no longer important—keeping track of for whom requirements are waived.

Sources

1. "Implicit Bias, A Primer for Courts," J. Kang, National Center for State Courts, August 2009.
2. https://implicit.harvard.edu/implicit/iatdetails.html
3. "Seeing Through Colorblindness: Implicit Bias and the Law," J. Kang and K. Lane, 58 UCLA Law Review 465, 476 (2010).
4. "Written in Black & White: Exploring Confirmation Bias in Racialized Perceptions of Writing Skills," A.N. Reeves, Nextions Yellow Paper Series, 2014.
5. "Diversifying Intellectual Property Law" Johnson, J.S., Evans, T.M., and King, Y.M., Landslide magazine, March/April 2018
6. "Q&A: Diversity in the Workplace: Hiring Minority Lawyers" K. Halloran, Trial Magazine, online magazine of American Association for Justice, May 2017 (interview with Navan Ward)
7. "You Can't Change What You Can't See: Interrupting Racial and Gender Bias in the Legal Profession," Report for the American Bar Association, 2018.

Thank you!

Charles Macedo
Partner
Amster Rothstein & Ebenstein LLP

Charles R. Macedo, a physicist by training, litigates in all areas of intellectual property law, including patent, trademark and copyright law, with a special emphasis in complex litigation and appellate work. Companies and individuals from a wide range of industries turn to him to develop offensive and defensive strategies for the development and enforcement of their patent and trademark portfolios. Mr. Macedo specializes in advising with respect to computer implemented inventions and products.

Mr. Macedo writes prolifically and lectures regularly as he tracks and analyzes in real time the most important developments affecting IP strategy and litigation. As Co-Chair of the Amicus Committee of the New York Intellectual Property Law Association, Mr. Macedo has been principal counsel or additional counsel on amicus briefs in some of the leading patent cases of recent years. He also served as Counsel in a Patent Litigation Arbitration resulting in the Prius being able to enter into the U.S.

He holds bachelors and masters degrees in physics from The Catholic University of America and a law degree from Columbia Law School, all with honors. He was the sole law clerk to Hon. Daniel M. Friedman of the U.S. Court of Appeals for the Federal Circuit, 1989–1990.

Anthony Michael
Director of Litigation
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Anthony is currently the Director of Litigation at Acorda Therapeutics, Inc. Mr. Michael has over 17 years of complex patent litigation experience where he focuses on the pharmaceutical and biotech arts. He has experience with a broad range of technologies, including monoclonal antibodies, DNA vectors, diagnostics, pharmaceutical compounds and formulations. Mr. Michael has represented life science companies in patent cases involving a wide variety of therapeutics, including oncology, Multiple Sclerosis, proton pump inhibitors, sleep agents, and respiratory agents.

Robert Rando
Founder and Lead Counsel
The Rando Law Firm P.C.

Robert J. Rando is the founder and lead counsel of The Rando Law Firm P.C. Mr. Rando is a Fellow of the Academy of Court-Appointed Masters and, since 2004, has enjoyed the privilege and honor of judicial appointment as a Special Master in numerous cases involving complex patent law issues. He is a published author and frequent lecturer at law schools and CLE programs on patent law and other IP and constitutional law issues. He is the immediate past Chair of the Federal Bar Association ("FBA") Intellectual Property Law Section. He is also the past Treasurer for the New York Intellectual Property Law Association ("NYIPLA"), an active member of the NYIPLA Amicus, Legislative Action and Programs Committees, a Member of The Federalist Society and is a Master in the Honorable William C. Conner Inn of Court.

His professional experience spans over twenty-nine years as a federal civil litigator in matters ranging from intellectual property and antitrust, to employment discrimination, civil rights, employment disputes, ERISA and class action product liability cases. Primarily his experience has been focused on the litigation of patent infringement disputes in the Southern District of New York ("SDNY"), the Eastern District of New York ("EDNY") and several other United States District Courts across the country. He has also filed Circuit Court of Appeals briefs and argued before the Appeals Court for the Second Circuit. Additionally, he has authored, co-authored, and filed Amicus briefs before the United States Supreme Court and Federal Circuit on various patent law issues from 2006 to the present.

He is experienced in a wide range of technologies, including: computer hardware and software, silicon chip manufacturing, biotechnology products, medical devices, pharmaceuticals, chemical compounds, food additives, alternative energy products, consumer electronics, communications, security, Internet and e-commerce.
He has engaged in mediation on behalf of his clients and has served as a Mediator in several private mediations all with successful outcomes. He has also served as a Neutral in patent and non-patent cases.
He has worked closely with USPTO leaders on programming and outreach and is actively engaged in federal judiciary legislative initiatives through his work on NYIPLA's Legislative Action Committee and the FBA Government Relations Committee. In 2012, along with two other patent practitioners, he developed and conducted a series of lectures for the SDNY and EDNY Patent Pilot Program Judges, Magistrates and Law Clerks on the AIA.

He received his Juris Doctor, with academic honors, from St. John's University School of Law in 1989. He was the Executive Publications Editor of the St. John's Law Review and the recipient of an Academic Scholarship, Civil Trial Institute Honors and the American Jurisprudence Award for Excellence in Constitutional Law. He received his Bachelor of Science, with academic honors, in mathematics and computer science, from Hofstra University in 1983.

Sean Reilly

General Counsel, Askeladden LLC

Senior Vice President and Associate General Counsel, The Clearing House Payments Company

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Panel 3

"*The Changing Interface Between Administrative Proceedings and Patent Litigation*"

Moderator:
Charles R. Macedo,
Partner, Amster, Rothstein & Ebenstein LLP

Panelists:
Anthony Michael,
Director-Litigation, Acorda

Robert Rando,
Founder, The Rando Law Firm PC

Sean Reilly,
General Counsel, Askeladden LLC,
Senior Vice President and General Counsel, The Clearinghouse

I. Changes in Practice at the PTAB

A. No more partial institutions

1. *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348 (2018)

When the Patent Office institutes an inter partes review, it must decide the patentability of all of the claims the petitioner has challenged.

2. PTAB, *Guidance on the Impact of SAS on AIA Trial Proceedings* (Apr. 26, 2018) (available at https://www.uspto.gov/sites/default/files/documents/guidance_on_the_impact_of_sas_on_aia_trial_proceedings_%20(april_26,_2018).pdf)

The final written decision will address, to the extent claims are still pending at the time of decision, all patent claims challenged by the petitioner and all new claims added through the amendment process.

B. *Interpretation* of Claims (BRI to *Phillips* Standard)

1. Claim Construction Standards

a. Broadest Reasonable Interpretation (Ex parte prosecution)

b. *Phillips* Standard (Litigation)

2. *Cuozzo Speed Tech. LLC v. Lee*, 136 S. Ct. 2131 (2016)

The Patent Office regulation requiring the Board to apply the broadest reasonable construction standard to interpret patent claims is a reasonable exercise of the rulemaking authority granted to the Patent Office by statute.

3. Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board, 83 Fed. Reg. 51,340 (Oct. 11, 2018) (to be codified at 37 C.F.R. pt. 42)

The Office is replacing the broadest reasonable interpretation ("BRI") standard such that claims shall now be construed using the same claim construction standard that is used to construe the claim in a civil action in federal district court. This rule reflects that the PTAB in an AIA proceeding will apply the same standard applied in federal courts to construe patent claims. The Office also amends the rules to add that any prior claim construction determination concerning a term of the claim in a civil action, or a proceeding before the International Trade Commission ("ITC"), that is timely made of record in an IPR, PGR, or CBM proceeding will be considered. This rule will become effective on November 13, 2018.

C. Motions to Amend

1. *Aqua Products v. Matal*, 872 F.3d 1290 (Fed. Cir. 2017)

> "The only legal conclusions that support and define the judgment of the court are: (1) the PTO has not adopted a rule placing the burden of persuasion with respect to the patentability of amended claims on the patent owner that is entitled to [Chevron] deference; and (2) in the absence of anything that might be entitled deference, the PTO may not place that burden on the patentee."

2. PTAB Guidance after *Aqua Products* (Nov. 21, 2017)

> Under Aqua Products and the new guidelines, the Board will not place the burden of persuasion on a patent owner with respect to the patentability of substitute claims presented in a motion to amend. However, the patent owner's motion to amend must still meet the statutory requirements of 35 U.S.C. § 316(d), and 37 C.F.R. §§ 42.121 or 42.221, as applicable.

3. Request for Comments on Motion to Amend Practice and Procedures in Trial Proceedings under the America Invents Act before the Patent Trial and Appeal Board, 83 Fed. Reg. 54,319 (Oct. 29, 2018)

> The Office seeks input on (1) a proposed amendment process that would involve a preliminary non-binding decision by the Board that provides information to the parties regarding the merits of a motion to amend, and an opportunity for a patent owner to revise its motion to amend thereafter; (2) a proposed pilot program implementing the new amendment process; (3) whether the Office should continue to allocate the burden of

persuasion regarding patentability of substitute claims as set forth in a recent informative Board decision; and (4) any suggestions the public may have as to motion to amend practice before the Board generally.

II. Hot Topics At Appellate Courts?

A. Standing

1. *RPX Corp. v. ChanBond LLC*, (petition for certiorari pending)

Issue: Whether the U.S. Court of Appeals for the Federal Circuit can refuse to hear an appeal by a petitioner from an adverse final decision in a Patent Office inter partes review on the basis of lack of a patent-inflicted injury-in-fact when Congress has (i) statutorily created the right to have the Director of the Patent Office cancel patent claims when the petitioner has met its burden to show unpatentability of those claims, (ii) statutorily created the right for parties dissatisfied with a final decision of the Patent Office to appeal to the U.S. Court of Appeals for the Federal Circuit, and (iii) statutorily created an estoppel prohibiting the petitioner from again challenging the patent claims.

Amicus Briefs: NYIPLA, Askeladden LLC, and The Initiative for Medicines Access & Knowledge et al.

Status: SCOTUS invited Solicitor General to file a brief with views of the United States on October 1, 2018

2. *JTEKT* Corp. *v. GKN Auto. Ltd.*, 898 F.3d 1217 (Fed. Cir. 2018)

Issues:

1. Whether the estoppel provisions of the IPR statute independently constitute a real and substantial injury sufficient to establish standing between competitors; and

2. Whether the panel's decision erroneously limits an injury in fact sufficient to establish standing to definitive patent-inflicted injury when this determination is contrary to both the statutes establishing standing and case law establishing standing based on other types of injury such as economic injury.

Amicus: Askeladden, LLC

Status: Petition for rehearing and rehearing en banc denied. Petition for certiorari likely

B. Tribal Sovereign Immunity

1. *St.* Regis *Mohawk Tribe v. Mylan Pharms., Inc.*, 896 F.3d 1322 (Fed. Cir. 2018), rehearing and rehearing en banc denied.

Issue: Whether a patent owner that is a native American tribe is entitled to Tribal Sovereign Immunity in an IPR proceeding before the Patent Trial and Appeals Board

Amicus: Askeladden LLC, New York City Bar Association, Microsoft Corp., R Street Institute, Electronic Frontier Foundation, United States, High Tech Inventors Alliance, Computer & Communications Industry Association, America's Health Insurance Plans, The Association for Accessible Medicines, Software & Information Industry Association, L Brands, Inc., SAS Institute, Inc., SAP America, Inc., Internet Association, Xilinx, Inc., Regents of the University of Minnesota, STC.UNM, William Eskridge, Jr., State of Indiana, State of Hawaii, State of Illinois, State of Massachusetts, State of Texas, State of Utah & State of Virginia

Status: Petition for rehearing and rehearing en banc denied, and motion to stay mandate pending petition for certiorari to Supreme Court is pending

C. Real Party in Interest (RPI)

1. *Applications in Internet Time, LLC v. RPX Corp.,* 897 F.3d 1336 (Fed. Cir. 2018)

Issue: Whether the Patent Trial and Appeals Board*'s* test for determining whether a person or entity is a "real party in interest" within the meaning of 35 U.S.C. § 315(b) is unduly restrictive

Amicus: N/A

Status: Petition for rehearing and rehearing en banc denied, and petition for certiorari to Supreme Court likely

D. 35 U.S.C. § 102 - On Sale Bar

1. *Helsinn Healthcare S.A. v. Teva Pharmaceuticals USA Inc.*, (petition for certiorari granted)

Issue: Whether, under the Leahy-Smith America Invents Act, an inventor's sale of an invention to a third party that is obligated to keep the invention confidential qualifies as prior art for purposes of determining the patentability of the invention

Amicus Briefs: IP Owners Association, Congressman Lamar Smith, The Massachusetts Biotechnology Council, United States, AIPLA, Pharmaceutical Research and Manufacturers of America, Bar Association of D.C., The Naples Roundtable, Boston patent Law Association, The Biotechnology Innovation Organization, US Inventor, Inc., IPLA of Chicago, Houston IPLA,

Austin IPLA, 45 Intellectual Property Professors, R Street Institute and Engine Advocacy, Intel Corp., Congresswoman Zoe Lofgren, IEEE-USA, Association for Accessible Medicines, SPCM S.A. and High Tech Inventors Alliance

Status: SCOTUS granted Solicitor General Motion for leave to participate in oral arguments as amicus curiae and for divided argument on October 9, 2018. Argument scheduled for December 4, 2018.

III. Interactions Between District Courts and the PTAB on Remand

A. Inconsistency Issue

1. Presumption of Validity

a. "*Is the Presumption of Validity Dead in Substitute Claims Issued as a Result of Motions to Amend After PTAB Proceedings?*", http://www.patentqualityinitiative.com/-/media/pqi/files/articles/pqi---presumption-of-validity-article.pdf

2. Claim Construction Standard Differences

B. Stays

C. Multiple Proceedings

Jonathan Berschadsky
Partner
Merchant & Gould PC

Jonathan Berschadsky's practice focuses on patent prosecution and litigation, freedom to operate analysis, U.S. and international strategic patent portfolio planning and management, as well as counseling clients on strategic partnerships and technology acquisitions. Technology areas he works in include telecommunications, electronics, imaging, machine learning, audio signal processing and media content transmission and delivery systems. Jonathan received his JD from Rutgers University School of Law and both his MS and BS in Electrical Engineering from Boston University.

Scott Forman
Associate
Wolf Greenfield

Scott Forman is based out of Wolf Greenfield's New York office, and focuses his practice on patent and trademark litigation, as well as postgrant proceedings. He has significant experience in all stages of litigation including drafting pleadings, motions, working on fact and expert discovery and preparing pretrial filings. Scott's postgrant practice includes drafting briefs and working with expert witnesses in *inter partes* review proceedings.

Scott's litigation and postgrant experience includes a wide array of subject matters, including pharmaceuticals, semiconductors, microfluidics, chemical additives and HatchWaxman litigation. He also counsels clients on intellectual property and licensing matters.

Scott previously worked as a patent law intern at both Alzcor Pharmaceuticals and OSI Pharmaceuticals, where he performed freedom to operate searches for potential Alzheimer's treatments and analyzed patentability of drugs for licensing potential. At OSI Pharmaceuticals, he also worked as a chemistry intern, synthesizing small molecule organic compounds for potential use in cancer therapeutics. As an undergraduate, Scott performed synthetic inorganic chemistry research on heterobimetallic compounds for use in alternative energy applications. This research was published in the journal *Inorganic Chemistry.* Prior to joining Wolf Greenfield, Scott was an associate at Kenyon & Kenyon LLP.

Friedrich Laub
Senior Counsel – Intellectual Property
Bristol-Myers Squibb Company

Dr. Friedrich B. Laub is currently Senior Counsel - Intellectual Property at Bristol-Myers Squibb in Princeton, New Jersey. In that role he manages and obtains world-wide exclusivity and freedom-to-operate in connection with Bristol's biologic drug candidates, conducts IP due diligence for biologics acquisitions and in-licensing opportunities, and provides general IP guidance within the company.

Prior to joining Bristol-Myers Squibb, Dr. Laub worked as a patent attorney in private practice at the firms Kenyon & Kenyon and Kramer Levin Naftalis & Frankel in New York City, as well as Choate Hall & Stewart in Boston. Dr. Laub received his law degree with distinction from New York Law School's evening division while working full-time as a patent agent at Kenyon & Kenyon.

Prior to becoming a patent attorney, Dr. Laub worked as a scientist at Hospital for Special Surgery/Cornell Medical Center in New York, and the Japanese National Cancer Center in Tokyo, Japan. He also worked briefly at the Robert Wood Johnson Medical School in New Brunswick, New Jersey, as an Adjunct Assistant Professor.

Dr. Laub received his M.S. and Doctoral degree in Molecular Biology from the Freie Universität Berlin, Germany. He was awarded scholarships from the Gottlieb Daimler and Karl Benz Foundation and German Academic Exchange Service to conduct his graduate school research at the Mount Sinai School of Medicine-New York University in New York City.

Dr. Laub has authored numerous legal and scientific articles in a wide variety of areas. He lives with his wife and daughter in Brooklyn, New York.

Navigating Patent Strategies in View of Recent Developments in Section 101

Speakers
Friedrich B. Laub, Senior Counsel, Bristol-Myers Squibb
Scott Forman, Associate, Wolf Greenfield & Sacks PC

Moderator
Jonathan Berschadsky, Partner, Merchant & Gould P.C.

NYIPLA – One-Day Patent CLE Seminar – Nov. 15, 2018

Agenda

- Developing Case Law
- PTO Memoranda/Examination Guidance
- Snapshots of Section 101 Trends
  - District Courts
  - PTO
  - PTAB
- Litigation Strategy Issues
- Patent Portfolio/Prosecution Strategy Issues
- Transactional and Other Activities – Issues
- Impact on Computer/Software Industries
- Impact on Life Science/Pharma/Diagnostics Industries - Personalized Medicine

Developing Case Law – *Mayo, Myriad, Alice, Berkheimer, Vanda*

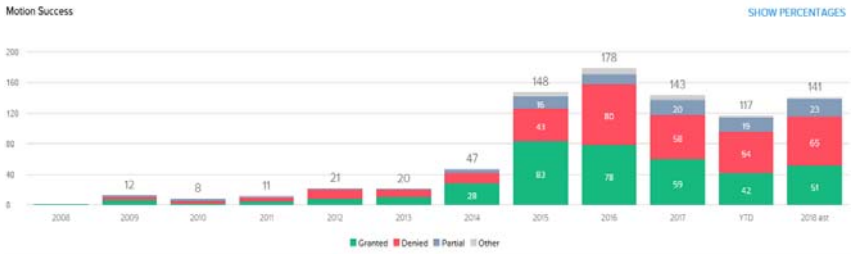
- *Mayo Collaborative Services v. Prometheus Laboratories* (2012)
- *Association for Molecular Pathology v. Myriad Genetics, Inc*. (2013)
- *Alice Corp. v. CLS Bank Int'l* (2014)
- *Berkheimer v. HP Inc.* (2018)
- *Vanda Pharms. Inc. v. West-Ward Pharms. Int'l Ltd.* (2018)

2018 PTO Memoranda/Examination Guidance

- Memorandum - Recent Subject Matter Eligibility Decisions: *Finjan* and *Core Wireless* (issued April 2, 2018)
- Memorandum - Revising 101 Eligibility Procedure in view of *Berkheimer v. HP, Inc*. (issued April 19, 2018)
- Memorandum - Recent Subject Matter Eligibility Decision: *Vanda Pharmaceuticals Inc. v. West-Ward Pharmaceuticals* (issued June 7, 2018)

Snapshots – Districts Courts

District Court 101 Motion Success – Patent Eligibility (ALL DC)



Motion Success

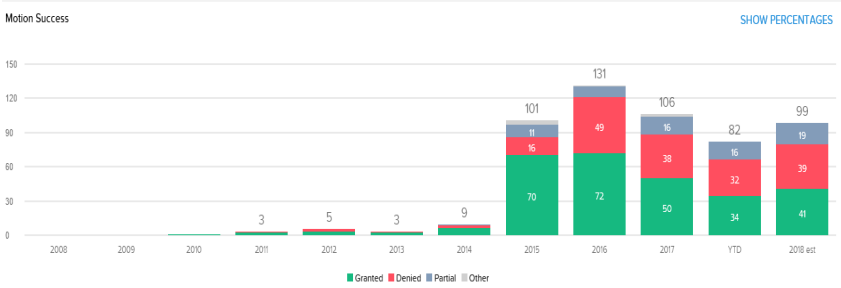
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	YTD	2018 est
Granted	1	6	2	4	7	10	28	83	78	59	42	51
Denied	0	4	3	5	12	9	14	43	80	58	54	65
Partial	0	2	2	2	1	1	5	16	12	20	19	23
Other	0	0	1	0	1	0	0	6	8	6	2	2
Total	1	12	8	11	21	20	47	148	178	143	117	141

Excludes decisions on utility
Motions to dismiss (failure to state a claim), motions for judgment on the pleadings, motions for summary judgment (patent invalid)

Source: Docket Navigator

Snapshots – Districts Courts

District Court 101 Motion Success – Abstract Idea (ALL DC)



Motion Success

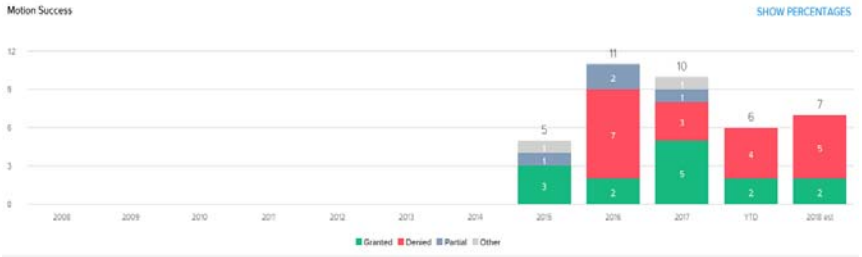
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	YTD	2018 est
Granted	0	0	1	2	3	2	6	70	72	50	34	41
Denied	0	0	0	1	2	1	2	16	49	38	32	39
Partial	0	0	0	0	0	0	1	11	9	16	16	19
Other	0	0	0	0	0	0	0	4	1	2	0	
Total	0	0	1	3	5	3	9	101	131	106	82	99

Motions to dismiss (failure to state a claim), motions for judgment on the pleadings, motions for summary judgment (patent invalid)

Source: Docket Navigator

Snapshots – Districts Courts

District Court 101 Motion Success – Law of Nature and Natural Phenomena



Motion Success

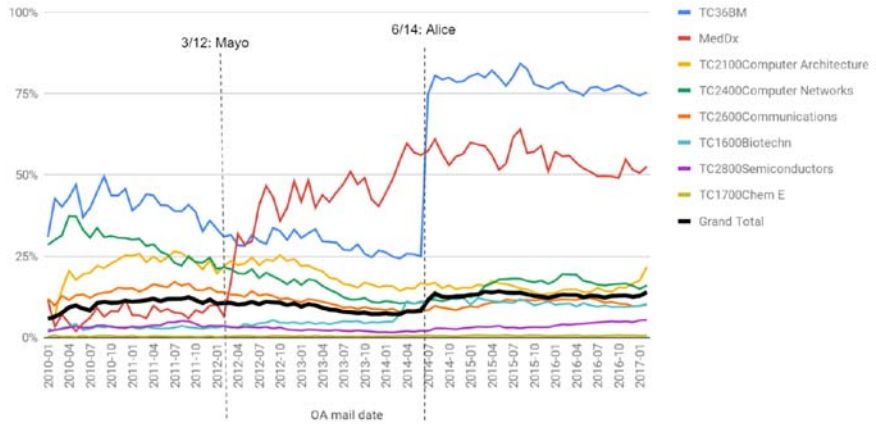
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	YTD	2018 est
Granted	0	0	0	0	0	0	0	3	2	5	2	2
Denied	0	0	0	0	0	0	0	0	7	3	4	5
Partial	0	0	0	0	0	0	0	1	2	1	0	
Other	0	0	0	0	0	0	0	1	0	1	0	
Total	0	0	0	0	0	0	0	5	11	10	6	7

Motions to dismiss (failure to state a claim), motions for judgment on the pleadings, motions for summary judgment (patent invalid)

Source: Docket Navigator

Snapshots – PTO TCs

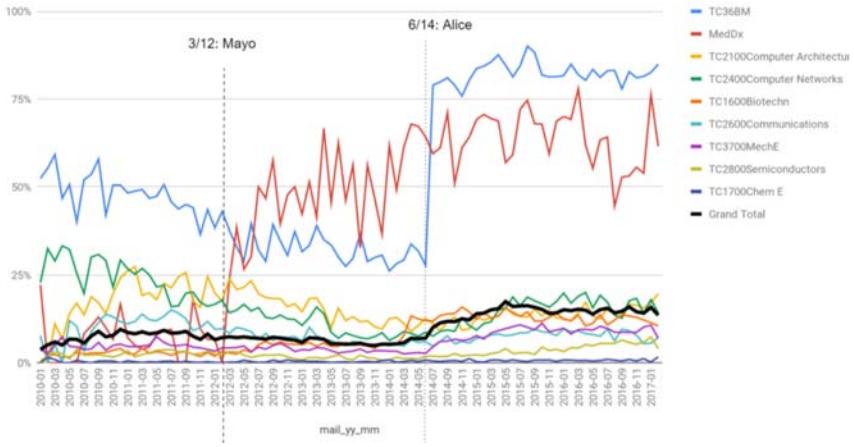
Share of Office Actions Including a 101 Subject Matter Rejection



Source: Colleen Chien and Jiun-Ying Wu, *"Decoding Patentable Subject Matter"*, 2018 Patently-O Patent Law Journal 1.

Snapshots – PTO TCs

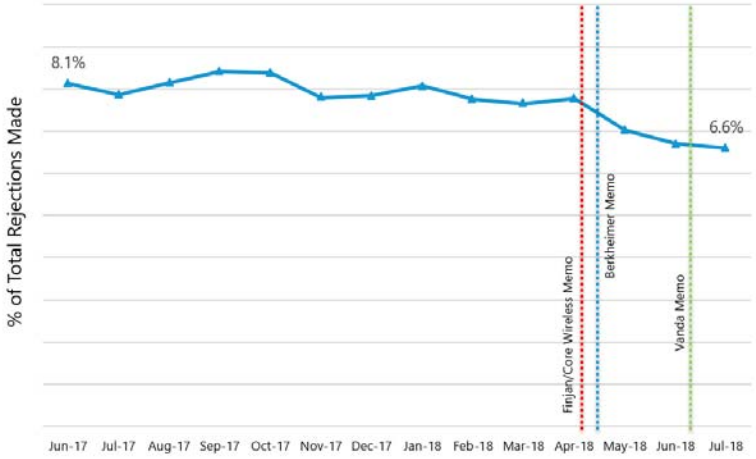
Share of Abandoned Applications With a 101 Subject Matter Rejection in the Last Office Action Pre-Abandonment



Source: Colleen Chien and Jiun-Ying Wu, *"Decoding Patentable Subject Matter"*, 2018 Patently-O Patent Law Journal 1.

Snapshot – PTO

Relative Number of 101 Rejections Made Compared to All Rejections Made in Office Actions Over Each Time Period



Source: Greg Vidovich, USPTO (October 30, 2018).

Litigation Strategy Issues

- Plaintiff Patent-Holders
  - Assess vulnerability to Alice 101 patent ineligibility before filing suit
- Defendants
  - Use mechanisms that most efficiently dispose of bad patents: 12(b)(6) Motions, CBM/PGR, Stays

Patent Portfolio/Prosecution Strategy Issues

- The key prosecution take-aways of *Finjan*, *Berkheimer* and *Vanda* and the corresponding PTO memos
- Consider making strategic product development decision with an eye on Section 101 patent eligibility issues
- Assess potential vulnerability to Section 101 patent ineligibility early on before filing of patent application
- Consider filing of patent application as strategic investment in view of possible changes in Section 101 law

Patent Portfolio/Prosecution Strategy Issues, *continued*

- Think global – foreign jurisdictions (*e.g.*, Europe) may have fewer hurdles in terms of patent ineligibility
- As a general matter, include as much data in the patent application as possible
- Make clear the benefits of the claimed invention over the prior art
- Consider/use various claim formats
- Provide details to support non-conventional nature of aspects of claimed invention (*Alice* step 2)

Patent Portfolio/Prosecution Strategy Issues, *continued*

- Be mindful of divided infringement and patent enforcement issues (*e.g.*, *Eli Lilly & Co. v. Teva Parenteral Medicines, Inc. (2017)*) when drafting claims that withstand Section 101 scrutiny
- Develop patent strategy in view of potential regulatory exclusivity and other FDA policies (e.g., narrow but solid diagnostic claims might already provide competitive advantage)
- Consider trade secret protection as alternative or supplement

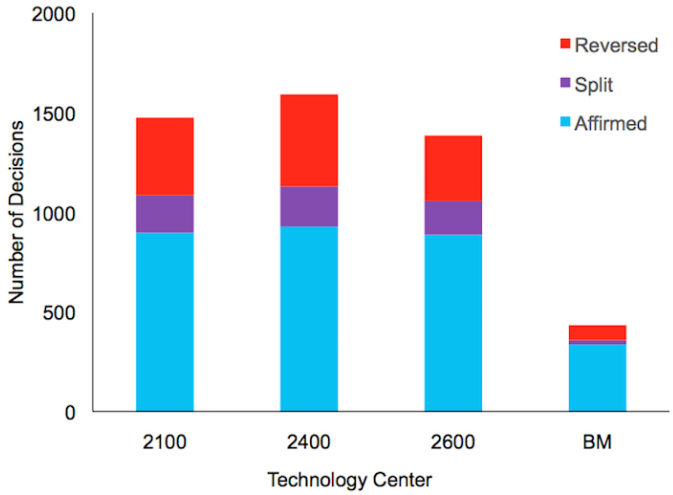
Transactional and Other Activities – Issues

- How to determine freedom-to-operate in view of Section 101 uncertainty
- How to ascertain patent portfolio value in view of Section 101 uncertainty
- Impact on agreement drafting and licensing (e.g., IP provisions, indemnification, warranties)
- Industries/technologies particularly affected by Section 101 uncertainty - Personalized Medicine
- Industries/technologies particularly affected by Section 101 uncertainty - Computer/Software

Impact on Computer/Software Industries

- Allowance rates dropped significantly
- Putting an idea on a computer screen won't make the invention patent eligible without more
- Computer-functionality based on an abstract idea is more likely to be patentable.
- Higher level of creativity needed to get a patent on software-related inventions
- Appealing may be the only remaining option to persistent 101 rejections

Impact on Computer/Software Industries, *continued*



Source: Samuel Hayim & Kate Gaudry, "PTAB is Bogged Down by Eligibility Appeals", IP Watchdog, *Mar. 5, 2018*

Impact on Life Science/Pharma/ Diagnostics Industries

Personalized Medicine

- A form of medicine that uses information about a person's genes, proteins, and environment to prevent, diagnose, and treat disease
- In cancer, personalized medicine uses specific information about a person's tumor to help diagnose, plan treatment, find out how well treatment is working, or make a prognosis

Source: NIH – National Cancer Institute (https://www.cancer.gov/publications/dictionaries/cancer-terms/def/personalized-medicine).

Impact on Life Science/Pharma/ Diagnostics Industries, *continued*

Personalized Medicine – "The Numbers"

- Marketed drugs reliant on companion diagnostics generated about $25B revenue in 2015 worldwide
- About 25% of all new drugs approved by the FDA in 2016 were personalized medicines, up from 5% in 2005
- About 40% of all drugs in development are personalized medicines
- About 70% of oncology drugs in development are personalized medicines

Source: The Personalized Medicine Report 2017, The Personalized Medicine Coalition (http://www.personalizedmedicinecoalition.org/).