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The VUB is truly a dynamic and modern university with internationally recognized research teams. Centrally located in the capital of Europe, the VUB acts as ambassador for Flanders and Brussels and has a student body with a global perspective: In that regard, the VUB is a pivotal host for such a relevant new degree in a rapidly evolving field.

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This program will be taught by an international team of leaders in the fields of international business law and alternative dispute resolution. It will offer students a profound understanding into the origin of ADR and the different ADR mechanisms. Students will...
**Disqualification and Arbitrators: What if we went to Law School together?**

In a previous article*, the right of the parties to ask for disqualification of one or more of the arbitrators (when there are doubts that could compromise the arbitration process and its outcome) was analyzed from the perspective of what could be a timely or untimely challenge. This time, the analysis focuses on the standards of disqualification under the ICSID Convention and the Arbitration Rules. The present article refers to a recent ICSID Decision published in April 2010**.

**Background**

On June 5, 2007, the International Center for the Settlement of Investment Disputes (ICSID) received a Request for Arbitration from Alpha Projektholding GmbH (Alpha) against Ukraine (The Respondent). Alpha, an Austrian limited liability company, submitted the Request pursuant to Article 9 of the 1996 Agreement for the Promotion and Reciprocal Protection of Investments between Ukraine and Austria. The arbitration proceedings advanced without any major interruption until December 2009.

On December 23, 2009, the Respondent submitted a letter to the Secretariat of ICSID stating that the Respondent had recently been informed that one member of the Tribunal and Counsel for Claimant maintained personal relations, which had arisen in the course of their studies at Harvard University. There, they were both enrolled on the LLM and the SJD programs. Additionally, the Respondent noted that the arbitrator did not mention any such facts in any statement accompanying his declaration (ICSID Arbitration Rule 6(2) requires, before or at the first session of the tribunal, a declaration signed by each arbitrator about relationships and circumstances that might cause arbitrator’s reliability for independent judgement to be questioned by a party). As a result, the Respondent proposed the disqualification of the arbitrator, as a member of the Tribunal, and referred to Article 14(1) for the ICSID Convention according to which a party may request the removal of one or more arbitrators (when there are doubts that could compromise the arbitration process and its outcome) by specifying in his request the reasons for the challenge. The facts established or undisputed must, in the circumstances which themselves rest merely on other inferences… then be relied upon to exercise independent judgment.”

The Counsel for Claimant responded that he and the arbitrator studied at Harvard Law School and they knew each other from that time. But, he commented that at no time had they “maintained business relations of any kind or have worked together on professional matters”. Also, he noted that since their departure from Law School, they had maintained no social relationship. On his part, the arbitrator explained that he did not attach any statement to his declaration because he “deemed” that the relationships to which Arbitration Rule 6(2) refers did not “exist” in this case and no statement was “warranted”. In his opinion, the fact that he and counsel for the claimant studied together neither “objectively nor subjectively” constituted a relationship of the “sort” coming within the language of the Arbitration Rule just mentioned. Finally, he stressed that “Since our studies we never had any business or other professional relations. Nor have I ever been involved in Dr. […]’s personal or professional life.”

Ultimately, the Secretary of the Tribunal requested details about the sources of the Respondent’s belief that the arbitrator and the counsel for the claimant maintained “personal relations” and any facts supporting this belief. The Respondent answered that he regretfully was unable to provide additional evidence on this matter.

**Discussion and Decision**

The analysis of the request mainly focused on this: whether the facts (shared educational experience and its non-disclosure) identified by the Respondent demonstrated a lack of independence on the part of the arbitrator. Some of the main considerations expressed by the Tribunal are explained below.

**Standard of Disqualification under ICSID**

The Tribunal observed that the ICSID Convention’s standard for challenge found in Article 57 embodies an objective criterion that imposed the stringent requirement of a “manifest” lack of qualities set forth in Article 14(1) – namely the qualities of “high moral character”, “recognized competence” and reliability “to exercise independent judgment”. Having in mind the challenge expressed by the Respondent, the analysis focused on an arbitrator’s reliability “to exercise independent judgment”. The Tribunal stressed that under Article 14(1), as interpreted by past ICSID decisions, this requirement entails two concepts: impartiality and independence. Then, the Tribunal cited Suez Aquas Second Decision to describe the two concepts: “independence relates to the lack of relations with a party that might influence an arbitrator’s decision. Impartiality, on the other hand, concerns the absence of a bias or predisposition toward one of the parties”.

Additionally, the Tribunal stressed the importance of the adjective “manifest” when describing the standard that a challenge must meet in order to prevail. It concluded that “manifest” should be understood as “obvious” or “evident”. Also, the Tribunal cited SGS Société Générale v Pakistan on this matter: “An arbitrator cannot, under Article 57 of the Convention, be successfully challenged as a result of inferences which themselves rest merely on other inferences… The facts established or undisputed must, in the circumstances of the particular case, be plainly capable of giving rise to the interference claimed derived from such facts.”

**Shared Educational Experience**

The Tribunal noted that there is not any case or scholarly learning that holds, or even argues, “that long-ago encounters at an educational institution, standing alone, provide objective grounds, either real or perceived, for justifying an obvious
mising as to impartiality or for demonstrating an evident lack of reliability as to independence”. It also cited Compaña de Aguas v. Republic of Argentina where it was emphasized that a challenging party must rely on established facts rather than on “mere speculation or inference” because “the application of a subjective, self-judging standard instead of an objective one would enable any party in arbitration who becomes discontented with the process for any reason to end it at any time at its sole discretion simply by claiming that an arbitrator is not independent or impartial”.

In the opinion of the Tribunal, the factual footing for this aspect of the Respondent’s submission was particularly insufficient and saw no grounds or authority on which to determine that the shared educational experience and resulting acquaintance evidenced either a relationship that might influence the arbitrator’s freedom of decision-making or the presence of any predisposition toward the position of one party over those of the other.

**Non-Disclosure of Shared Educational Experience**

The Tribunal stressed that the relationship between the requirements for disqualification under the ICSID Convention and Arbitration Rules is not a perfect match. The reason is that “[t]he scope of the disclosure declaration is considerably broader than the requirements that must be met in order to achieve disqualification. However, according to the Tribunal, “the discrepancy between the two makes common sense because it encourages the very disclosure of facts upon which a decision to disqualify, or not to disqualify, can only be founded: but (...) the discrepancy leaves a hole to be filled where, as here, the very fact upon which the challenging party relies in seeking to disqualify an arbitrator is not disclosed as a part of the relevant Arbitration Rule 6(2) declaration and, according to the challenging party, only came to its actual knowledge late in the arbitration process.”

Next, the question to be answered related to what should be disclosed according to Arbitration Rule 6(2). This Arbitration Rule refers to a declaration that each arbitrator shall sign before or at the first session of the tribunal. The text is as follows: “To the best of my knowledge there is no reason why I should not serve on the Arbitral Tribunal (...) Attached is a statement of (a) my past and present professional, business and other relationships (if any) with the parties and (b) any other circumstance that might cause my reliability for independent judgment to be questioned by a party”. The Tribunal understood the difference between parts (a) and (b) of the statement in the following terms: Arbitration Rule 6(2)(b) “calls for the disclosure of facts, in time and in kind, signifying an unspecified degree of likelihood of impairment to impartiality or independence whereas 6(2)(a) calls for total disclosure of any and all relationships with the parties, even those that are ancient in age or subjectively minor in character”. Additionally, the Tribunal stressed that Arbitration Rules 6(2)(b) adopted a “justifiable doubts” test like the one encapsulated in Article 9 of the UNCITRAL Arbitration Rules rather than the “manifest” threshold that must be met in order to sustain a challenge under the ICSID Convention. However, the Tribunal mentioned that the Rule did not provide guidance as to what facts need to be disclosed, and so to what facts did not need to be disclosed, under the more elastic scope of 6(2)(b).

To solve the problem, the Tribunal included in the analysis the 2004 International Bar Association Guidelines on Conflicts of Interest in International Arbitration and its four different categories of fact patterns: (i) a “non-waivable red list”; ii) a “waivable red list; iii) an “orange list”; and (iv) a “green list”. Finally, the Tribunal applied Arbitration Rule 6(2), together with the IBA Guidelines, reaching the following conclusions: (i) a long-ago acquaintanceship at an educational institution was not mentioned in the green list of fact patterns, much less in the “orange list” or the “red list”. This strongly suggests that the existence of such an acquaintanceship did not require disclosure; (ii) certain facts or circumstances are of such a magnitude that failure to disclose them either (a) would thereby in and of itself indicate a manifest lack of reliability of a person to exercise independent and impartial judgement or (b) would be sufficient in conjunction with the non-disclosed facts or circumstances to tip the balance in the direction of that result, but neither of these conditions was present in this case; (iii) if a “reasonable person” test (an arbitrator is required to disclose a fact only if she reasonably believes that such fact would cause her reliability for independent judgment to be questioned by a reasonable person) is applied under the circumstances of the case, the test is not met here.

In short, Respondent’s Proposal was dismissed for failure to prove any fact that would indicate a manifest lack of impartiality or independence on the part of the challenged arbitrator.

**Comment**

This decision stressed that the state of international law as to the duty of disclosure by arbitrators is best evidenced by the IBA Guidelines and not by any domestic law precedents cited by any of the parties. Therefore, the IBA Guidelines, which gather an important expertise and knowledge on international commercial arbitration, should be a pivotal source when a request for disqualification has been filed against one of the members of an Arbitral Tribunal.

The Tribunal elaborated about the recognition of a modern-day duty to perform a routine examination into the background of a party and its counsel at an early date, failing which a party may be found to have not promptly objected, resulting in a waiver under Arbitration Rule 27. However, the members of the Tribunal concluded that they did not need to determine this issue in order to reach a decision in this case. While this could be an interesting academic discussion, a final decision about this duty would have been far-reaching and inconvenient. It is important to remember that each arbitrator has the obligation to disclose the relationships and circumstances that could affect his exercise of independent judgment and he has the obligation to do it seriously and in depth. Additionally, if a party wants to disqualify an arbitrator it has the burden of proof about the facts and the stringent requirement of a “manifest” lack of any of the objective qualities set forth in Article 14(1) of the ICSID Convention.

*The article is available at [http://www.arbitration-adr.org/documents/iid=65](http://www.arbitration-adr.org/documents/iid=65)  
The conflict arises because after making a down payment on a set of shipments, NedTrans is displeased to find that ALT failed to make the delivery. However, the South Korean supplier of a very important module in ALT’s laser devices was unable to supply their technology because of an economic crisis in their country. As a result ALT did not foresee. The result is a “black and white” approach to dealing with the issue that encourages us to behave rashly and often instills emotional reactions from the other party. This “conflict spiral,” is the ultimate pathway that turns business problems into business conflicts.

The video is then divided into three sections, negotiation, mediation and arbitration. During each phase of the proceeding the viewer is able to witness the various strategies that can be employed by each of the three parties. Throughout the video a series of texts appear at the bottom of the screen referencing pages in the accompanying book that better explain how the various actions used benefit or hinder the dispute resolution. The CD therefore takes the audience on a step-by-step breakdown of the entire procedure and analyzes the varying perspectives of the parties on the dispute and how they are altered by the mediator.

During the mock mediation, the viewer is able to witness how these human responses to conflict manifest themselves when the disputants face one another at the bargaining table. The actors vividly portray how emotion permeates the discussion and the necessary role of the mediator to pacify these feelings and uproot the real reason for the impasse. Framing is an important tactic shown. The mediator successfully frames the dispute as a combination of miscommunications, external variables, and financial obstacles that once negotiated, can be overcome. Likewise, a stage of mutual compromise is framed as willingness by both parties to restructure a future business relationship. In this way, the mediators demonstrate how the various tactics used are integrated into the process of commercial mediation.

The CD’s resources also outline the reasons why a conflict begins: from “escalation” to “perception” and from both “human” and “intercultural” factors. These topics are presented in the context of business disputes and illustrate how long distance transactions—common in our extensive global business network—open a lot of room for miscommunication. Our information about business partners around the world is often very limited. This makes it very easy for one party to create a distorted view of reality if situations arise that they did not foresee. The result is a “black and white” approach to dealing with the issue that encourages us to behave rashly and often instills emotional reactions from the other party. This “conflict spiral,” is the ultimate pathway that turns business problems into business conflicts.
mediator coerces the parties to see reality through a clearer lens; he narrates the conflict so the parties will begin to realize that the best option is to come to an agreement and continue their partnership.

What makes this edition so unique is not only the quality of the videos but the content in the lessons that accompany them. Mediation practitioners and scholars can actively participate in the lesson by in essence sitting in on a multimillion dollar international commercial mediation. From unraveling the root causes of the conflict to negotiating the mediation settlement agreement the viewer gains a better understanding of how dynamic the mediation process is.

All Kluwer books may be purchased at www.kluwerlaw.com with a 10% discount for all AIA members.

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**3rd European Conference on Mediation: Mediation and Civil Society in Europe, Toward a New Mindset**  
**May 27th-28th, 2010 in Bourg la Reine/ Grand Paris**

On May 27th and 28th, the 3rd annual European Conference on Mediation will be held in Bourg la Reine, Grand Paris in partnership with AIA’s project the European Mediation Training Scheme for Practitioners of Justice (EMTP). The conference is organized by the European Mediation Network Initiative (EMNI), a European gathering of mediators from over twenty countries that aims to promote the development of mediation and the harmonization of alternative dispute resolution methods in Europe. In addition to the two-day plenary sessions, participants to the conference will be able to attend fifty workshops. To be eligible you must register for workshops as well as the conference and you may be chosen depending on the number of available seats.

The workshops cover topics on mediation and citizenship, criminal mediation, family mediation, mediation at school, mediation and organizational performance, commercial mediation, mediation and labor relationships, health and mediation, environmental mediation, international mediation, mediation philosophy, ethics and professionalism, mediation and law, mediation efficiency, mediation techniques, and different regional developments of mediation.

More information on the program, list of speakers, and how to register is available on the website: www.europemediation2010.com

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**The Importance of Contractual Clauses: The Class Arbitration Perspective**

**Introduction**

On April 27th, 2010 the US Supreme Court made a pivotal decision on a class action arbitration case. The dispute, StoltNielsen S.A. v. Animal Feeds International Corp brought about the questions as to when parties agree to authorize class action arbitration under the Federal Arbitration Act (FAA). It is a complicated issue because in class action cases, where recoveries are small and the cost of litigation is high, it can be difficult to receive a contract concluding that the entire party agreed to class arbitration. This is especially important in the US where there is a plethora of cases filed over seeking damages for antitrust, consumer fraud and other consumer claims. In such instances, it is vital that every member in the claimant party is in accordance with one another.

**Background**

AnimalFeeds and StoltNielsen held charter party agreements for shipment of goods that specific arbitration of any dispute in New York “in conformity with the provisions and procedure” of the FAA but failed to select any institutional rules. After a dispute arose involving price-fixing, AnimalFeeds filed a putative class action against their petitioners and was specifically required to arbitration the antitrust claims.

The respondent parties then entered into a class arbitration supplemental agreement in order to submit it to a panel of arbitrators (under Rules 3-7 of AAA's Supplementary Rules for Class Arbitrations). The parties noted that in the charter party agreement there was no mention of the issue of class arbitration. The counsel from AnimalFeeds stated to the panel that this “silence” indicated no express reference and that in fact no agreement has been reached with regards to class arbitration.

In hearing the arguments and evidence the arbitral panel reasoned that the petitioners' evidence did not show an “intent to preclude class arbitration” and that their argument would leave “no basis for a class action absent express agreement among all parties and the putative class members.” Thus, the panel determined that class arbitration was permitted. However, after judicial review the Southern District of New York abandoned the panel’s decision under the “manifest disregard” standard in that the arbitrators did not properly conduct a choice-of-law analysis. If this had been done, the arbitral panel would have had to apply federal maritime law.

On the other hand, the Second Circuit declared that because the petitioners had not performed a choice-of-law analysis the panel could not have acted in manifest disregard. The Second Court also cited that the petitioners did not include anywhere that maritime law prohibits class arbitration and as a result, the initial ruling was not reversed. But in a 5-3 decision by the Supreme Court, the panel’s ruling was vacated and class arbitration was disallowed.

**The Court’s Decision**

The Supreme Court ruled that because the parties were not in agreement on class arbitration, the arbitrators’ objective should have been to identify the proper rule of law to govern the situation and in turn establish on whether class arbi-
tation was acceptable. The conclusion was reached based on the fact that had the panel properly considered the case under maritime law, they would have immediately rejected class arbitration because it is unused to maritime dispute resolution. By “implementing its own policy choice” the majority decided that the panel had exceeded their powers under rule 10(a)(4) of the FAA. Given the fact that class action arbitration is fundamentally different than bilateral arbitration, a plain intention to engage in class action arbitration must be present in the agreement.

Implications
Firstly, the decision of this case brings about the question as to the nature of the “manifest disregard” standard. The majority did not explicitly state whether manifest disregard is grounds for vacatur independent or if it is a glossing added to the grounds in rule 10 of the FAA. In this instance it was decided that if such a standard applied, it had been satisfied.

It could also be put forth that Stolt-Nielsen allows one to argue in support of interlocutory judicial review of arbitral proceedings. The majority’s willingness to examine the partial award will likely lead some arbitral parties to question partial awards or other interlocutory decisions and seek vacating the decisions before the proceedings are concluded.

As conceded by the Supreme Court, a panel must decide that there is a “contractual basis that the party agreed” to class arbitration. Simply an implicit agreement is not enough to authorize class action arbitration and therefore arbitrators cannot solely infer from this that there is a willingness to arbitrate. Furthermore, in this particular case “the Court does not insist on express consent to class arbitration.” This raises the issue as to whether an arbitration agreement that selects a specific statute law or institutional rules and includes a “default rule” in support of class arbitration is enough to reflect an agreement to class arbitration.

Finally, it must be taken into account that it is not always the case that the parties are sophisticated commercial entities as they are in these circumstances. Thus, the Stolt-Nielsen case may not be able to manage consumer class arbitration. According to the dissent, the majority decision will have the affect of dis-incentivizing claimants from exercising their rights if the adjudication process, in both litigation and arbitration, would be costly while the potential recovery small. In order to stymie this, the Arbitration Fairness Act of 2009 would take the decision as to whether the dispute can be arbitrated out of the arbitrator's hands and give it to the courts. In addition, it would revise the FAA by invalidating pre-dispute arbitration agreement sin employment, consumer, or franchise disputes. Such a measure would mean that the ruling in Stolt-Nielsen will not necessarily affect small-recovery claimants (consumers) and would have the option of pursuing a class action in a court proceeding.

Registration Now Open for The European Mediation Training Scheme for Practitioners of Justice (EMTPJ)

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Registration for the AIA’s latest project, the European Mediation Training Scheme for Practitioners of Justice (EMTPJ) is now open and spots are already filling up. The course takes place August 2nd – August 14th at the University of Warwick and is the first internationally recognized cross-border civil and commercial mediation program. Students will receive both practical training (in the form of moot mediation exercises and experiential learning) as well as theoretical insight on the practice of mediation. There will also be several courses on the EU law and mediation acts, contract law in Europe, and EU ethics on mediation.

With the support of the EU Commission, the EMTPJ will pursue the agenda of the European Directive 2008/52/EC on mediation that seeks to further the use of mediation as a means of conflict resolution. This course is unequivocally important given that EU member states must implement the new directive into their national statutes this June. EMTPJ will promote the unification of international mediation statutes by convening legal practitioners and professionals from around the world to participate in an intensive two weeks of training that effectively meets the different mediation criteria in EU member states as well as a number of international jurisdictions. Upon successful completion of EMTPJ, students will then be able to apply for accreditation at mediation centers around the world.

Registration can be completed online at www.emtpj.eu.

You will also find online the course schedule, logistical information, as well as the EMTPJ brochure with the lecturer bios. Applications are received on a first come first serve basis, so please apply now and become part of a milestone project for mediation and the future of the global marketplace!

For any questions or concerns please feel free to contact us at emtpj@arbitration-adr.org