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"What to look for, and expect, in an Information Technology, Intellectual Property or Telecommunications arbitration?"

By Steve White

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Many ICT and IP supply agreements include a requirement for arbitration.

The key to whether or not an arbitration works is, in my view, like a software development project, largely dependent on choosing the correct people rather than any fixed methodology.

Once in a dispute, the first step is to identify a suitable arbitrator for the extant dispute. In the next article we will look at how to conduct a preliminary conference once you have chosen your arbitrator.

Typically, domestic arbitrations have a sole arbitrator whereas international arbitrations have three arbitrators with the parties each appointing their own arbitrator and which party selected arbitrators agree on another arbitrator called the chair. Sometimes the party appointed arbitrators will discuss this agreement on the chair with the parties and sometimes not, depending on who the party appointed arbitrators are.

The choice of arbitrators and chair is thus critical to the conduct and outcome of an arbitration.

This risk can be reduced (but it can be difficult to do so) by trying to get the parties in dispute to agree on as much as possible in relation to the arbitrators chosen. Trying to agree on anything else can be done once you have agreed on the arbitrators. This may not be possible at all or appropriate in relation to some arbitrations (eg the UDRP) where the appointing authority solely determines the arbitrator (and rules).

For instance, if the parties can agree that Mr or Ms X should be used without the need to seek the assistance of appointing agency or the Court, savings can be achieved in terms of appointing agency Fees (which are sometimes fixed by the quantum of the dispute) and Court Fees.

In this issue

From the editors…

In this issue, Steve White gives his insights into how arbitration of disputes in technology contracts play out in practice, including the tips and traps, and what to expect from a good arbitrator.

Adrian Agius, the winner of the 2016 Student Essay Prize, considers the prevalence of "web-scraping" (automated data extraction and processing on the web) and the lack of certainty surrounding its legality.

Philip Catania and Tim Lee discuss how privacy laws apply to metadata following the Full Federal Court's decision dismissing an appeal by the Privacy Commissioner from a decision by the Administrative Appeals Tribunal which held that certain telecommunications metadata generated by Telstra did not constitute Personal Information. Philip and Tim provide valuable insights into how this decision sits with international metadata regulation and the impacts it could have on the role of the Privacy Commissioner in facing the privacy challenges arising from the internet of things.

Finally, Dr Gordon Hughes and Andrew Sutherland provide a case note on *Peter Vogel Instruments v Fairlight*, which serves as a warning of the risks of the potential fallout where parties fail to properly understand common commercial terms, including intellectual property licensing and assignment, and termination rights.

The Editors

Daniel Thompson and Isaac Lin

That said those fees, whilst possibly substantial, will be vastly secondary to the advantages of having the arbitration efficiently run.

Accordingly, finding the right person can save significant cost and time.

Once appointed the arbitrator will call a preliminary conference (normally by telephone) whereby the parties either agree the methodology to resolve the dispute or the arbitrator so appointed will determine same.

Who is the right person for any particular arbitration varies depending on the nature of the dispute. Technical knowledge of the law and the subject matter material in dispute can be a very large advantage.

In any event, the person chosen as arbitrator should, most importantly, have a strong approach to Customer service. Customer service has been almost a dirty word in judicial circles. Put simply, the function of the Court is not to provide a service. The function of the Court is to administer the law and not necessarily proceed as agreed by the parties.

In a climate in which few customers speak of the good customer service they received before a Court or arbitrator, the customer understandably poses and answers the following controversial question: "Why pay for ordinary service when you can get a similar or same unsatisfactory experience at the State's expense?"

Accordingly, this question highlights a key opportunity for arbitrators to excel in customer service. The problem, of course, is customer service is not often considered within arbitral circles and may seem inconsistent with a quasi-judicial role required from arbitrators.

My view and the purpose of this article is to contend that customer service should be "best practice" in arbitration and implemented by all arbitrators as a key to the arbitral advantage. Further, such activities are part of the arbitral framework found within the relevant legislation.

The key underpinning of the *Commercial Arbitration Act 2010* (NSW) ("the Act") is set out in section 1C, Paramount object of Act (there are similar provisions in the legislation of the other States[1]). It provides (my emphasis):

1C Paramount object of Act

(1) The paramount object of this Act is to facilitate the fair and final resolution of commercial disputes by impartial arbitral tribunals without unnecessary delay or expense.

(2) This Act aims to achieve its paramount object by:

(a) enabling parties to agree about how their commercial disputes are to be resolved (subject to subsection (3) and such safeguards as are necessary in the public interest), and

(b) providing arbitration procedures that enable commercial disputes to be resolved in a cost effective manner, informally and quickly.

(3) This Act must be interpreted, and the functions of an arbitral tribunal must be exercised, so that (as far as practicable) the paramount object of this Act is achieved.

(4) Subsection (3) does not affect the application of section 33 of the Interpretation Act 1987 for the purposes of interpreting this Act.

I encourage readers to examine each of the following customer service proposals and see if their proposed arbitrator will provide same.

Customer Service Proposal 1 - Speed

An arbitrator must promptly read the correspondence passing between the parties that they elect to show to the arbitrator.

Most complex arbitration will involve at least daily exchanges of correspondence between the parties, the ebb and flow of which will vary depending on the stage of the arbitration. At times this correspondence will arrive on an almost hourly basis.

Accordingly, the arbitrator should receive, read and reply (if necessary at all) to correspondence as soon as same is received same from the parties so that no delay occurs.

It follows that the arbitrator needs to understand what exactly is in dispute at any particular point in time.

A good example of this is requesting the parties to submit the orders they require the day before the scheduling conference and the arbitrator promptly replying to same (indicating that agreed orders will be made or suggesting orders which may suit). If done properly, the outcome of the conference can be agreed by email without the need for a conference at all.

This has the advantage of permitting the parties to reply to same and allowing the arbitrator to make any necessary orders (or least narrow the orders for consideration at the conference) before the scheduling conference.

This can save the time and inconvenience of what would, at that late stage, be an inevitable trip to the Court.

Customer Service Proposal 2 – Remove Road Blocks

In commercial arbitrations typically the parties will be working as hard as they can to get their cases together as soon as possible.

An arbitrator can assist this process by being able to issue a decision to remove any roadblock as soon as it is brought to his or her attention.

Typical road blocks include:

(i) jurisdictional disputes;

(ii) timetabling;

(iii) pleading;

(iv) categories of discovery;

(v) adequacy of discovery;

(vi) subpoena management and inspection of subpoenaed documents;

(vii) privilege disputes; and

(viii) strike out/summary judgment applications.

These are best resolved by receiving written submissions from both parties and making a decision, often after a scheduling conference.

Typically for each of these disputes I would expect that a week for the moving party to prepare its submissions and a week for the replying party to prepare same would be adequate.

The time of 4pm on Thursday seems to work well for the filing of such submissions. I would thereafter issue a decision the following Monday or Tuesday.

The important issue here is to keep the parties moving.

Some applications may not be capable of being resolved in that time frame. Indeed, some applications are best heard at the trial.

In any event the parties should know where they stand by Monday or Tuesday and be able to keep pressing on with their preparation for trial. Compare this for instance, with the customer service offered by the Court.

Often the Courts do not follow this approach as they have other issues to consider, namely the public expense of such litigation (particularly when balancing heaving Court loads).

Customer Service Proposal 3 - Prior to hearing and at hearing the principal function of the arbitrator is one of directing the traffic flow of information to the issues that need to be resolved.

Today, as always, the key to good decision making is the quality of information that you have available to make a decision.

The role of the Arbitrator is not to stop the arbitral process, but to facilitate it.

When representing parties in arbitrations, I have had numerous occasions when a request for particulars has been rejected by an arbitrator as not necessary.

The problem is that if such questions are left to evidence then in effect the party seeking such particulars has had this request for information (and potential settlement[2]) pushed back in the process.

Further, it is a principle of a fairness that a party is entitled to know the case that it has to meet and this should occur as soon as possible.

An arbitrator skilled in the relevant law will be able to quickly identify the merits (or not) of a request for particulars without simply dismissing same outright.

Particulars are very important in technology disputes. In many cases with which I have been involved, representations are alleged to have been made and are said to be critical to the case.

Often the representation is of such a technical nature that it is plain that the parties could not have made the representation in the terms so alleged.

For instance, let us take an allegation by B that person A represented to B in a meeting that the software can provide a certain functionality (F).

Exact what F "is" is a critical issue.

If the arbitrator can, <u>at the request of A</u>, early in the dispute require B to properly particularise at a technical level what F is, and B cannot do so without extensive reference to

their business and associated documents and systems not shown or explained to A at the time of the alleged representation by A then B should, if properly advised, appreciate that B's case for misrepresentation has problems.

If this can be identified before the arbitration continues substantial savings can be made.

Enabling the parties to actually ascertain what is in dispute is a key arbitral function.

Customer Service Proposal 4 – The arbitrator should assume the solicitors and counsel are better appraised of the situation than him or herself

When an arbitration commences it is likely that the parties have already been working on the matter for many months.

Indeed for most of the arbitration the arbitrator will be playing catch up.

Therefore, a proposed course of action, agreed by consent has serious weight and should be accepted – it is not the arbitrator's arbitration.

Customer Service Proposal 5 - Do not interrupt counsel

Many arbitrators and judges like to drive the proceedings. It adds to their importance. Unfortunately, as counsel know it is not easy to stand on your feet (or sit as is the case in arbitrations) and present complicated facts from the top of your head whilst being continuously and unhelpfully interrupted.

An arbitrator who does so indicates that he or she values their own opinion more than that of counsel when the probability is that they have done a fraction of the work on the matter done by the person who is speaking.

Customer Service Proposal 6 - Leave questions to the end

Good arbitral practice involves writing down any questions that the arbitrator has and waiting to see if same are answered in due course by the end.

By "the end" I mean either at the end of the trial if applicable or alternatively at the end of the witness giving evidence, appreciating of course, that counsel may wish to re-examine on the basis of any answers you receive. Ideally no questions should be asked at all.

My experience is that the matter proceeds far more quickly uninterrupted and it is very interesting to note that one by one your questions disappear without same being asked.

Further, if counsel like the sound of their own voice too much then they proceed much faster in any event without encouragement from others.

Customer Service Proposal 7 - Read the materials before the hearing

An old school approach and one which was principally dominated by *viva voce* evidence was to wait until counsel opened his or her case (if they opened at all) and listen to the witness before reading the witness statements.

I personally do not recommend this technique.

I recommend that the arbitrator should read the materials beforehand so that you can concentrate on the submissions being put by counsel and the questions asked of and answers received from the witness.

For instance, how is one to form a view regarding the credibility of a witness if you spend the first half a day working out who this person is and why their evidence may be relevant? This is particularly important in complex subject matter trials.

Reading before the trial is something that the parties should be prepared to pay for and will enable the trial to proceed without interruption.

Likewise, you may be asked if you have a document in front of you. If you are well organised, particularly electronically, then you will have the document at hand. I bring along my laptop and a second LCD monitor for more screen space on which I can view relevant documents. If you do not have the document at hand, counsel should proceed and you can catch up later when you locate the document which may not be until you receive the transcript.

It is critical to keep the proceedings moving without any interruption.

Customer Service Proposal 8 - Do not express an opinion unless asked to rule

A mistake often made, which is prejudicial to the course of justice, is to put it to counsel that their submission is simply wrong. This indicates that the arbitrator has not heard and are not prepared to hear counsel on what their argument is. Many arguments take time to develop. If it is wrong then the opponent will let you know in due course. This is fundamental, however, it is a mistake made all too often in the arbitral and judicial systems with customer comments along the lines of "he or she had already made up their mind. Why did we even bother? We were not even heard".

Customer Service Proposal 9 – Get the parties to agree on the oath or affirmation to be used

There is no set oath or affirmation procedure for commercial arbitrations. I encourage the parties to agree on the oath and affirmation procedure to be used and an appropriate warning to the witness that criminal provisions may apply if their evidence is false or misleading.

It is best if this is agreed by the parties as it the parties who will seek to enforce any contempt proceedings and not you. It is not for you to choose same. If it is wrong then the parties have only themselves to blame.

For consistency, the oath is typically taken by the counsel leading the witness.

Customer Service Proposal 10 – Track attendees

This can simply be done by asking each person who attends the arbitration to write their name on an appearance list each day.

These can be prepared in bulk and used for the entire hearing.

Any objection regarding who is attending can be dealt with on application.

Customer Service Proposal 11 - If possible resolve all evidence issues at the end

It is tempting to take an interventionist approach to evidence and indeed where the procedural rules of evidence apply it is necessary to do so[3].

In commercial arbitration much evidence may not be admissible and or should be given negligible weight by reason of the parol evidence rule or other substantial rules of evidence.

These are all matters for the Arbitrator[4].

The problem from a commercial arbitration perspective is that a hearing proceeds much more smoothly if there are no interruptions to evidence which, if extensive, can in effect result in a mini trial to determine which evidence is admissible.

Accordingly, the preferable approach is to suggest to the parties and have the parties accept that all objections to evidence be dealt with in the decision before any such material is relied upon in the decision.

The potential disadvantage that may arise is that a party may assert that if they had known that their evidence was inadmissible they would have tendered it in a different format.

It is clear that the merits of such an argument are limited by the views on case management currently set out *Aon Risk Services Australia Limited v Australian National University*[5].

Furthermore, it is notable that in commercial arbitration a key task before the arbitrator is one of interpreting the contract in dispute (which permitted the arbitration in the first instance). Much of the evidence which is sought to be tendered in relation to this issue (for example subjective intentions, post execution conduct) is irrelevant and cannot be made relevant by filing further materials.

This is particularly the case when ultimately many Intellectual Property decisions depend almost solely on the correct interpretation of the agreement in dispute.

Customer Service Proposal 12 – Subpoenas

It is necessary for the parties to get leave before they can have the Court issue subpoenas. Typically when competent firms are involved general leave is granted by the Arbitrator to issue subpoenas which means that the parties do not have to seek leave each time a subpoena is issued.

However, it is important to note that the current NSW Supreme Court practice is to have all materials returnable to the Arbitrator on a specified date but not at a specified time.

Therefore is important that the parties notify the Arbitrator so that the documents can be received and dealt with in accordance with the pre-agreed inspection regime.

For instance privileged materials should be first inspected by the party who may be entitled to claim privilege.

Further, it needs to be agreed (or directed) as to whether or not the Arbitrator will make such documents available before delivering same in accordance with the agreed inspection regime.

Customer Service Proposal 13 - Keep the parties informed

A Court has no obligation to keep the parties informed. Sometimes decisions can take years. In effect this, depending on the decision involved, can cost the parties well in excess of any savings that they may perceive they will make by relying on the Court system.

Unless the time frame for a decision has already been discussed or agreed I advise the parties two weeks after the hearing of an estimated completion date (week) for the decision and when I will report back to them next.

It is difficult before you are two weeks into a substantial decision to put any realistic estimate on the time frames involved.

At each week thereafter I advise the parties whether the estimate remains good. On the final status report I confirm the date and time of the decision.

This is not just a courtesy but a very important part of permitting the parties to plan their financial and business affairs appropriately.

Customer Service Proposal 14 - Be pleasant.

There is no need to be rude to any party or witness.

If a party has not prepared its case well and or is less efficient than the arbitrator thinks they should be or is poorly cross examining a witness then if necessary you can make any adjustment in relation to same in your costs orders.

It is completely inappropriate to engage in arguments with counsel or witnesses. Unfortunately, many Courts make the same mistake and are overturned on appeal.

The arbitrators' role at trial is to facilitate the flow of information not to chastise, pontificate or make points. To hear a matter is a privilege.

Customer Service Proposal 15 - No adverse inferences are essential for the decision.

Often an arbitrator has to make a decision about whose oral evidence should be preferred.

It does not matter whether or not the arbitrator has a low view of a witness's credibility. It is sufficient for the arbitrator to simply prefer one witness over another and refer back to the written evidence which supports such a view.

Often the parties will have a business relationship beyond the arbitration so why pollute it with matters which are irrelevant to the decision making process.

A key advantage of arbitration is that unlike Court decisions they are not ordinarily published with the associated damaging remarks to the parties respective careers.

Customer Service Proposal 16 - Suggestions

My experience is that if the arbitrator has any suggestions regarding the conduct of the arbitration then they should be made in writing. Invite the parties to respond by a certain time and if nothing is heard from either party then drop the suggestion as unnecessary.

At the end of the day the parties have a better idea of what is procedurally required to advance their preparation for trial.

Customer Service Proposal 17 – Do not make the parties pay for precedent style judgments

A common mistake is to consider that the parties are engaging the arbitrator to write an erudite judgment setting out your clever understanding of the law and its evolution.

In a judicial scenario it is important to do so from a precedent perspective. Another party many years later may be left wondering how to apply the law as set out in the Court's judgment to their particular facts and hence a full and erudite judgment is essential.

None of this is relevant to arbitration. The simple commercial fact is that once the parties have their award your judgment will be promptly filed and hopefully never be read again.

Accordingly, setting out any case law other than that to which the arbitrator has been expressly directed by counsel for the parties is unnecessary and indeed potentially hazardous as it introduces arguments about which the parties are entitled to be heard before such cases can be relied on in any way.

Therefore good customer service consists of accepting the submissions put by the successful party and rejecting the submissions put by the unsuccessful party.

Further it may be the case that the reasons for which you have accepted one party's submissions are fully set out in those submissions.

From an appeal perspective, which is limited under the Act to matters of jurisdiction, it is helpful to the parties to set out the further reasons which apply if and only if the successful party's submissions are subsequently found to be wrong, if those further reasons are not set out in the submissions put by counsel.

The purpose of these reasons is to make it plain to the parties that you have carefully considered the submissions of both parties.

Even at this stage it is important not to introduce irrelevant matters and for the award to be strictly confined to the matters which were fairly before the parties and heard.

Customer Service Proposal 18 – The arbitrator should leave his or her ego at home

The parties are paying for the arbitrator to impartially decide their case.

They know more about their case than the arbitrator does.

The case belongs to the parties not the arbitrator.

The arbitrator is simply a service provider.

It is not helpful for the arbitrator to tell the parties how to run their case or for the arbitrator to run late simply because he or she can.

Likewise, whilst the arbitrator has interlocutory powers (interim measures) under the section 17 of the Act[6] there is one really good reason to avoid the powerful temptation to use same.

Namely, that typically an Arbitrator or Court making an interlocutory decision is reluctant to depart from same at trial. It involves the Arbitrator or Court in effect admitting that they got it wrong in the first instance.

Why should the arbitrator put himself or herself in that position? The Court is ready to assist and hear those matters and leave the arbitrators mind open when hearing all the trial evidence as to whether or not the interlocutory decision was correct.

Customer Service Proposal 19 – Issue Draft Reasons

On complicated matters the chances that an arbitrator will make a factual or legal mistake or omit a matter is high.

It is particularly high if the time frames by which the award must be issued is tight.

This is problematic if there are limited rights of appeal.

Draft reasons may assist.

If the arbitrator issues draft reasons prior to a final award the parties have the opportunity to carefully review same and point out any defects or matters which have been missed so that the arbitrator can correct same before he or she become functus officio and the parties are left embarrassed and annoyed at substantial matters which may have been ignored or were simply misunderstood. Often the slip rule is insufficient to fix such problems.

Care should be taken to ensure that a party does not reargue their case. However, that becomes fairly obvious in relation to the submissions that the arbitrator may receive in relation to any alleged errors. Typically one

side will say that your reasons are perfect unless there is a genuine problem and in which case the successful party will be keen to fix same before the final award.

Customer Service Proposal 20 –Fees

Where possible, the fees for the arbitration should be fixed from the outset and preferably before engagement. This is very difficult to do unless the right arbitrator is chosen.

Customer Service Proposal 21 – Getting to trial as soon as possible

The mediation process can be useful but it is not the role of the arbitrator to put any obstructions or expense in the way of the parties determining their rights.

Therefore if the parties want mediation (preferably before a third party) then they should have it but an arbitrator should not order mediation unless at least one party indicates that it would like to mediate.

Recent considerations[7] in relation to the Court's role in relation to it taking a more active role in promoting mediation are in my view properly driven by a judicial need to consider how the State allocates its limited resources and not necessarily applicable to those of self-funded private litigants.

Customer Service Proposal 22 – Continuous Disclosure

In engaging an arbitrator in any relevant field of specialised expertise it is common to find conflicts of interests arise or have the potential to arise.

My experience is that the disclosure process is complicated and important and the safest approach is to err on the side of caution. This is particularly the case in relation to your previous (and current) dealings with the firms involved in the litigation. For instance, many arbitrations are conducted by a limited number of firms with whom you would have expected that the arbitrator has been opposed to, engaged by or referred work to in some capacity.

Conclusion

The purpose of this article is to give the reader some idea as the issues they may face in an arbitration and to give some thought as to who may be able to assist to reach resolution faster.

In commercial matters time is money and delay adds to the expense of the dispute. Often the value of lost time, particularly in relation to expiring business assets such as intellectual property and commercial opportunities, exceeds the costs of the litigation.

Accordingly, the parties are entitled to and should ask if they are not getting customer service from their arbitrator, why not find one who will provide good customer service?

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[1] Section 1AC *Commercial Arbitration Act 2013* (Qld)

Section 1C *Commercial Arbitration Act 2011* (SA)

Section 1C *Commercial Arbitration Act 2011* (Tas)

Section 1AC *Commercial Arbitration Act 2011* (Vic)

Section 1C *Commercial Arbitration Act 2012* (WA)

[2] It is my experience that technical matters once properly particularised settle very quickly as it should become plain whether or not the claim has any merits.

[3] See for instance *IMC Aviation Solutions Pty Ltd v Altain Khuder LLC* [2011] VSCA 248 (22 August 2011) where Warren CJ found that

22. ...During the hearing of the application to resist enforcement of the Award, IMC Solutions raised a series of objections to the admissibility of evidenc

"e contained in those affidavits. His Honour declined to rule on those objections at the time they were raised, but indicated that he would do so later. Counsel for IMC Solutions concurred with this approach. For reasons that are unclear, his Honour did not rule on those objections at a later stage of the hearing, or address the issue of admissibility in his reasons for judgment. The objections were not pressed, and counsel appear to have been content to allow the hearing to conclude without the objections being revisited.

23 ...it was a necessary precondition to relying upon these affidavits that the judge address the objections raised by IMC Solutions. The failure of the judge to do so means that his Honour's decision on the issue of estoppel was determined, at least in part, on the basis of inadmissible evidence. Therefore, it must be set aside.

Hansen JA and Kyrou AJA made similar helpful findings

219 It has long been the general rule that 'a party is entitled to have questions of admissibility determined as they arise'. The High Court has recently affirmed this general rule in Dasreef Pty Ltd v Hawchar. In Dasreef, it was stated in the plurality judgment that:

> *As a general rule, trial judges confronted with an objection to admissibility of evidence should rule upon that objection as soon as possible. Often the ruling can and should be given immediately after the objection has been made and argued. If, for some pressing reason, that cannot be done, the ruling should ordinarily be given before the party who tenders the disputed evidence closes its case. That party will then know whether it must try to mend its hand, and opposite parties will know the evidence they must answer.*

It is only for very good reason that a trial judge should defer ruling on the admissibility of evidence until judgment.

220 A consequence of the failure to rule on the objections to admissibility was that on the appeal the parties and this Court were deprived of the benefit of such rulings. This was unsatisfactory. Instead of counsel being able to submit why a particular ruling was wrong, or the contrary, there was no ruling. Thus counsel was left in the position of asking this Court to engage in the exercise that his Honour ought have discharged

http://www.austlii.edu.au/cgi-bin/sinodisp/au/cases/vic/VSCA/2011/248.html

[4] *Commercial Arbitration Act 2010* (NSW), s 19 provides that (3) The power conferred on the arbitral tribunal includes the power to determine the admissibility, relevance, materiality and weight of any evidence

[5] [2009] HCA 27 (5 August 2009) http://www.austlii.edu.au/cgi-bin/sinodisp/au/cases/cth/HCA/2009/27.html

[6] Similarly in the other State Acts:

Commercial Arbitration Act 2013 (Qld), s17

Commercial Arbitration Act 2011 (SA), s17

Commercial Arbitration Act 2011 (Tas), s17

Commercial Arbitration Act 2011 (Vic), s17

Commercial Arbitration Act 2012 (WA), s17

[7] see for instance Thomas v Powercor Australia Limited (Ruling No 1) [2010] VSC 489 (29 October 2010), p41.