

New Delaware Arbitration Law Offers Fast, Efficient Dispute Resolution

A new arbitration law takes effect today in Delaware that offers businesses around the world a fast-track arbitration option to resolve disputes quickly and cost-efficiently.

The newly enacted Delaware Rapid Arbitration Act (DRAA), developed by an interdisciplinary team of arbitration practitioners led by Delaware's Chief Justice Leo E. Strine Jr., Chancellor Andre G. Bouchard, and Secretary of State Jeffrey Bullock allows companies to initiate arbitration proceedings anywhere in the world and sets strict time limits on the process to help companies avoid spending valuable time and resources on protracted litigation or even traditional arbitration.

"Delaware has a well-deserved reputation for innovation and for its responsiveness to the international business community," explained Delaware Governor Jack Markell. "The DRAA is just the latest example of how the State—with input from the Courts and Delaware's legal community—has responded to an unmet need for speedier dispute resolution with a thoughtful and practical solution."

Sophisticated businesses can use the DRAA to resolve disputes quickly, fairly and cost-effectively. The new law is particularly well-suited for companies doing business together, so long as one of the businesses is a Delaware business entity.

Under the new law, an arbitrator must make a final decision within 120 days of accepting the case, although a one-time 60-day extension is allowed if both parties agree. Arbitrators who fail to render a decision before the allotted time will

receive reduced fees corresponding to the length of the delay.

An International Solution

DRAA proceedings can be held anywhere in the world. This is significant, given that Delaware is the corporate home to businesses all over the globe.

For this reason, the international legal community was asked to participate in the development of the new legislation. "Legal experts from around the world shared their thoughts and experiences about the arbitration process, and those ideas were carefully considered when the law was drafted," noted Delaware Secretary of State Jeffrey Bullock. "The law captures some of the best practices from private international arbitration, and at the same time addresses problems with existing arbitration options, such as limiting the scope of the arbitration, giving the arbitrators discretion when making awards, and limiting the appeal process."

In a DRAA proceeding, the arbitrator can be chosen by the parties or appointed by Delaware's Court of Chancery. The arbitrator defines the scope of the arbitration, and determines the final award. Challenges to the award are made directly to Delaware's Supreme Court, rather than being reviewed by a trial court, and are limited in scope. This avoids the prospect of time-consuming litigation and prevents either party from using stalling tactics that could prove costly and halt proceedings.

The DRAA cannot be used for disputes involving consumers. Companies interested in having the option to use the DRAA must sign a contract to that effect.

"We are confident that attorneys and their clients around the world will quickly discover the benefits the new law offers," Bullock stated. "Delaware understands business like no other jurisdiction in the U.S. or abroad, and is committed to continuing to provide support and innovation as quickly as

needs are identified.”

The State of Delaware is working in conjunction with local attorneys to provide the international legal community with information and resources about the DRAA. The attached document provides additional facts about the DRAA, and readers can download a copy of the DRAA handbook, as well as model forms and petitions, from the website of the Delaware firm Richards, Layton & Finger at rlf.com/DRAA. More information is also available at global.blogs.delaware.gov.