HEALTH CARE LAW ADVISOR ALERT: ESTABLISHED U.S. PUBLIC HEALTH PRECEDENT ON MANDATORY VACCINATION REQUIREMENTS UPHELD (AT LEAST FOR NOW)

American law long has recognized the authority of government officials to address public health emergencies. *See, e.g., Gibbons v. Ogden*, 22 U.S. 1, 205 (1824) (recognizing the "power of a State, to provide for the health of its citizens").

More than a century ago, the U.S. Supreme Court decided the seminal case on the power of the states to respond to a public health crisis in *Jacobson v. Massachusetts*, 197 U.S. 11 (1905), where it affirmed the constitutionality of a state statute authorizing local health boards to require residents to be vaccinated against smallpox. As explained in *Jacobson*, the authority to respond to a public health crisis must be "lodged somewhere," and it is "not an unusual, nor an unreasonable or arbitrary, requirement" to vest that authority in officials "appointed, presumably, because of their fitness to determine such questions." *Id.* at 27. The Court intermittently emphasized the necessity of the state's smallpox vaccination regulation, as well as the utilitarian aspect of rules protecting the many at the expense of the few, but ultimately seemed to rely on the basic police power of the state to regulate public health as the basis for its decision upholding the vaccination requirement. *Id.* at 26, 28, 29, 31.

Due to the COVID-19 pandemic, courts around the country have had the opportunity to revisit the *Jacobson* decision. Last year, the U.S. Supreme Court discussed *Jacobson* in a decision enjoining an executive order by New York's governor establishing certain occupancy limits to combat the spread of COVID-19. In *Roman Cath. Diocese of Brooklyn v. Cuomo*, 592 U.S. ___, 141 S. Ct. 63 (2020), Justice Neil Gorsuch explained *Jacobson*'s imposition on individual rights was "avoidable and relatively modest" and "easily survived rational basis review, and might even have survived strict scrutiny, given the opt-outs [to the smallpox vaccine requirement] available to certain objectors." *Id.*, 141 S. Ct. 63 at 71 (Gorsuch, J., concurring). And Chief Justice John Roberts quoted from *Jacobson*, stating that "[o]ur Constitution principally entrusts '[t]he safety and the health of the people' to the politically accountable officials of the States 'to guard and protect.'" *Id.* at 76 (Roberts, C.J., dissenting) (quoting *Jacobson*, 197 U.S. at 38).

Jacobson also played a pivotal role in two cases addressing COVID-19 vaccination requirements recently considered by the U.S. Supreme Court.

In the first case, *Klaassen v. Trustees of Indiana Univ.,* No. 1:21-CV-238 DRL, 2021 WL 3073926 (N.D. Ind. July 18, 2021), *Pls.' mot. for inj. pending appeal denied,* 7 F.4th 592 (7th

Cir. 2021), eight students filed a federal lawsuit seeking to bar enforcement of Indiana University's requirement that its faculty, staff and students be vaccinated against COVID-19, unless exempt from the requirement for religious or medical reasons. Students who do not get vaccinated are restricted from participation in on-campus activities and their class registrations and university identification cards are cancelled. Exempt students are required to wear masks in public spaces while on campus and be tested for COVID-19 two times a week. The plaintiffs claim the University's rules violate the Due Process Clause of the Fourteenth Amendment of the U.S. Constitution. *Klaassen,* slip. op. at *1.

In July 2021, the district court denied the plaintiffs' request for a preliminary injunction. *Id.* at *45. It ruled Indiana University's COVID-19 vaccination requirement "isn't forced vaccination" and that the U.S. Constitution permits the school to pursue vaccination "in the legitimate interest of public health for its students, faculty and staff." *Id.* at *46. A few days later, the plaintiffs filed a notice of appeal with the Seventh Circuit Court of Appeals and moved for an injunction against the university's requirements pending appeal. *Klaassen,* 7 F.4th 592.

In early August 2021, the Seventh Circuit denied the plaintiffs' injunction request, citing *Jacobson*. Judge Frank Easterbrook, writing for the three-judge panel, found the case "is easier than *Jacobson"* for two reasons. *Id.* at 593. First, *Jacobson* upheld a vaccination requirement that lacked any exception for adults, but the university's requirement has certain religious and medical exceptions. Second, unlike *Jacobson,* the university's requirements do not require any adult member of the public to be vaccinated. Instead, they are "a condition of attending Indiana University. People who do not want to be vaccinated may go elsewhere." *Id.* The court recognized that "vaccination requirements, like other public-health measures, have been common in this nation" and that "given *Jacobson . . .* which holds that a state may require all members of the public to be vaccinated against smallpox, there can't be a constitutional problem with vaccination against SARS-CoV-2." *Id.* The court found that:

> Each university may decide what is necessary to keep other students safe in a congregate setting. Health exams and vaccinations against other diseases (measles, mumps, rubella, diphtheria, tetanus, pertussis, varicella, meningitis, influenza, and more) are common requirements of higher education. Vaccination protects not only the vaccinated persons but also those who come in contact with them, and at a university close contact is inevitable.

Id.

After the Seventh Circuit's ruling, the plaintiffs filed an emergency application for writ of injunction with the U.S. Supreme Court, again seeking to enjoin enforcement of Indiana University's vaccination requirements. *See Klaassen,* Emergency Appl. 21A15 (Aug. 6, 2021). The plaintiffs argued that the university "is coercing students to give up their rights to bodily

integrity, autonomy, and of medical treatment choice in exchange for the discretionary benefit of matriculating at IU." *Id.* at 14. But Justice Amy Coney Barrett, the Circuit Justice for the Seventh Circuit, denied the plaintiffs' application without referring it to the full Court for consideration. *Id., denied* (Aug. 12, 2021) (Barrett, J.). At the time of the writing of this article, the plaintiffs' case continues at the district court.

In the second case, *Maniscalco v. New York City Dep't of Educ.*, No. 21-CV-5055 BMC, 2021 WL 4344267 (E.D.N.Y. Sept. 23, 2021), *Pls.' mot. for inj. pending appeal denied*, 2021 WL 4437700 (2d Cir. Sept. 27, 2021), four New York City public school employees filed a federal class action lawsuit seeking to bar enforcement of New York City's requirement that its public school teachers provide proof of COVID-19 vaccination or face suspension without pay. This requirement does not contain a provision allowing teachers to opt-out of vaccination through COVID-19 testing. The plaintiffs claimed different reasons for not wanting to get the vaccine, including the concern of its long term side effects, and argued that the requirement violates their substantive due process and equal protection rights under the Fourteenth Amendment. *Id.,* slip. op. at *1.

On September 23, 2021, the district court denied the plaintiffs' motion for a preliminary injunction against the requirement, ruling that the plaintiffs could not show a likelihood of success on the merits of their claims. Citing *Jacobson,* the court found that the law allows a state to "'curtail constitutional rights in response to a society-threatening epidemic so long as the [public health] measures have at least some 'real or substantial relation' to the public health crisis and are not 'beyond all question, a plan and palpable invasion of rights secured by fundamental law.'" *Id.* at *3 (citation omitted). The court noted that requiring teachers to "take a dose of ivermectin as a condition of employment" might qualify as an improper invasion of rights, but that "mandating a vaccine approved by the FDA does not." *Id*. The court stated "'the Due Process Clause secures the liberty to pursue a calling or occupation, and not the right to a specific job.'" *Id.* (citation omitted).

Later that day, the plaintiffs filed a notice of appeal with the Second Circuit Court of Appeals and moved for an expedited injunction against New York City's vaccination requirement pending appeal. The Second Circuit issued a temporary injunction in favor of the plaintiffs for administrative purposes so that their motion could be considered by a three-judge motions panel. But on September 27, 2021, that three-judge panel denied the plaintiffs' motion and dissolved the temporary injunction. *See Order of USCA as to [No.] 17,* No. 21-CV-5055, No. 19 (E.D.N.Y. Sept. 24, 2021).

After the Second Circuit's ruling, the plaintiffs filed an emergency application for writ of injunction with the U.S. Supreme Court, again seeking to enjoin enforcement of New York City's vaccination requirement. *See Maniscalco,* Emergency Appl. 21A50 (Sept. 30, 2021). Justice Sonja Sotomayor, the Circuit Justice for the Second Circuit, denied the plaintiffs' application without even waiting for New York City to reply to it, and without referring it to

the full Court for consideration. *Id*., *denied* (Oct. 1, 2021) (Sotomayor, J.). This case also continues at the district court at the time of the writing of this article.

While the rise of various COVID-19 requirements inevitably will lead to additional litigation in various courts around the country, at least for now it seems clear that the *Jacobson* decision continues to provide guidance to public health officials, attorneys and the courts around the country on vaccination issues, as it has for over a century.

Grant Killoran is a shareholder in O'Neil, Cannon, Hollman, DeJong and Laing's Milwaukee office with a practice focusing on complex business and health care disputes and is the immediate past Chair of its Litigation Practice Group. He can be reached at 414.291.4733 or at grant.killoran@wilaw.com*.*

HEALTH CARE LAW ADVISOR ALERT: DID THE UNITED STATES SUPREME COURT JUST SUGGEST A CHANGE TO THE ESTABLISHED PUBLIC HEALTH CONSTITUTIONAL FRAMEWORK?

American law long has recognized the authority of government officials to address public health emergencies. Almost 200 years ago, the U.S. Supreme Court ruled that, under the 10th Amendment to the U.S. Constitution, the power to address public health emergencies generally is held by the states rather than the federal government. *See Gibbons v. Ogden*, 22 U.S. 1, 205 (1824) (recognizing the "power of a State, to provide for the health of its citizens"). And more than a century ago, the U.S. Supreme Court decided the seminal case on the power of the states to respond to a public health crisis in *Jacobson v. Commonwealth of Massachusetts*, 197 U.S. 11 (1905). There, the Court affirmed the constitutionality of a state statute authorizing local health boards to require that residents be vaccinated against smallpox or pay a five-dollar fine.

As the Court explained in *Jacobson*, the authority to respond to a public health crisis must be "lodged somewhere," and it is "not an unusual, nor an unreasonable or arbitrary, requirement," to vest that authority in officials "appointed, presumably, because of their fitness to determine such questions." *Id.* at 27. The Court intermittently emphasized the necessity of the state public health regulation, as well as the utilitarian aspect of rules protecting the many at the expense of the few, but ultimately seemed to rely on the basic

police power of the state to regulate public health as the basis for its decision. *Id.* at 26, 28, 29, 31. Thus, while the *Jacobson* decision shows the high level of deference courts may give to the actions of states faced with a public health crisis, it does not set forth a clear framework for today's courts or governmental officials, in part because the decision arose before the development of modern due process jurisprudence.

In its recent decision in *Roman Catholic Diocese of Brooklyn v. Cuomo*, 592 U.S. ___, 141 S. Ct. 63 (2020), the U.S. Supreme Court may have begun to minimize the impact of *Jacobson today*. There, the Court enjoined an executive order by New York's governor establishing certain occupancy limits to combat the spread of COVID-19. The Court noted that although "[m]embers of this Court are not public health experts, and we should respect the judgment of those with special expertise and responsibility in this area … even in a pandemic, the Constitution cannot be put away and forgotten." *Id.* at *3.

In a concurrence, Justice Neil Gorsuch distinguished *Jacobson from the case before the Court*, stating it "hardly supports cutting the Constitution loose during a pandemic." *Id.* at *5 (Gorsuch, J., concurring). He noted that people affected by the mandatory vaccination order at issue in *Jacobson* could avoid taking the smallpox vaccine by paying a small fine or identifying a basis for exemption and stated that *Jacobson*'s imposition on individual rights therefore was "avoidable and relatively modest" and "easily survived rational basis review, and might even have survived strict scrutiny, given the opt-outs available to certain objectors." *Id.* at *6. He concluded by calling *Jacobson* a "modest decision." *Id.*

On the other hand, Chief Justice John Roberts quoted a line from *Jacobson* in his dissent, stating that "[o]ur Constitution principally entrusts '[t]he safety and the health of the people' to the politically accountable officials of the States 'to guard and protect.'" *Id.* at *9 (Roberts, C.J., dissenting) (quoting *Jacobson*, 197 U.S. at 38). He concluded that "it is not clear which part of this … quotation today's concurrence finds so discomforting." *Id.*

Jacobson and the cases that followed it analyzing past public health emergencies continue to provide guidance today about how to administer public health measures to combat contagious diseases, including current COVID-19 programs. This established law has guided government officials, public health experts, physicians, the public, attorneys and the courts for over a century. But the SARS-CoV-2 virus that causes COVID-19 (and the vaccines and treatments for it) are new. The novel nature of COVID-19, as well as the significant advances in medicine and science since the *Jacobson* decision was issued over a century ago, may lead to new and differing public health jurisprudence governing public health measures to combat the spread of disease. While the recent discussion of the limits of public health authority found in the *Roman Catholic Diocese* does not change established public health precedent, the comments made in the decision suggest the Court may be open to some sort of change in the law in the future.

Grant Killoran is a shareholder in O'Neil, Cannon, Hollman, DeJong and Laing's Milwaukee office with a practice focusing on complex business and health care disputes and is the immediate past Chair of its Litigation Practice Group. He can be reached at 414.291.4733 or at grant.killoran@wilaw.com.

HEALTH CARE LAW ADVISOR ALERT: VACCINE INJURY CLAIMS AND THE FEDERAL VACCINE COURT

As the development of a potential COVID-19 vaccine continues, so too do questions about the types of vaccines being developed and how they will be administered. Vaccines offer overwhelming public health benefits, but a small number of individuals who receive vaccines are harmed by them. Most claims alleging health problems caused by vaccines must be brought in the "Vaccine Court" of the United States Court of Federal Claims under the National Childhood Vaccine Injury Act of 1986, 42 U.S.C. § 300aa-1, *et seq*.

The Act creates the National Vaccine Injury Compensation Program to handle vaccine-related claims. The program is administered by a secretary who may compensate a party who has suffered a vaccine-related injury or death. The Act largely preempts traditional tort claims against vaccine administrators or manufacturers for vaccine-related injuries and it limits claimants to only those sustaining injury or their legal representatives.

The Act creates a Vaccine Injury Table listing various vaccines and medical conditions that may result from them. Claimants must show, by a preponderance of evidence, that they suffered an injury listed in the Table or that a vaccine caused or significantly aggravated their injury within the time periods set forth in the Table. *Terran ex rel. Terran v. Sec'y of Health and Human Servs.,* 195 F.3d 1302, 1307 (Fed. Cir. 1999), *cert. denied,* 531 U.S. 812 (2000). If claimants do so for an injury listed in the Table within the time period stated in the Table, they are presumed to be entitled to compensation. *Knutson by Knutson v. Sec'y of Health and Human Servs.*, 35 F.3d 543, 547 (Fed. Cir. 1994). For claims not falling within the Table, claimants must prove the vaccine at issue caused their injury by a preponderance of evidence. *Golub v. Sec'y of Health and Human Servs.*, No. 99-5161, 2000 WL 1471643, at *2 (Fed. Cir. Oct. 3, 2000). Claimants are limited to a recovery of $250,000 for pain and suffering, but may recover additional damages for actual and projected un-reimbursable expenses, actual and anticipated lost earnings, and reasonable attorneys' fees and costs.

Claims made to the Vaccine Court are sent to the office of the Chief Special Master, who then

assigns the claim to a special master to review and issue a decision to be entered as a judgment by the Federal Court of Claims. Either party can request that the Federal Court of Claims review this decision, and also can seek further review in the United States Court of Appeals for the Federal Circuit. Judicial review of the special masters' decision is limited; the decision can be set aside only if either court determines it is arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law. If claimants choose to reject a judgment by the Vaccine Court, they then may pursue a tort action in state or federal court. However, the Act offers certain defenses and presumptions to defendants facing such claims.

For more information about the Vaccine Court, or other legal issues relating to the COVID-19 pandemic, contact Grant Killoran of O'Neil Cannon at 414-276-5000 or grant.killoran@wilaw.com.

OCHDL CREATES NEW HEALTH CARE LAW BLOG

Welcome to the first edition of the O'Neil, Cannon, Hollman, DeJong and Laing Health Care Law Advisor. We have created this blog as an informational and educational resource for our clients and contacts. The health care industry changes often and quickly, and we seek to help keep you apprised of important legal developments in the health care field.

Over the past few months, we have spent significant time advising clients on issues relating to the COVID-19 pandemic. We include in this inaugural blog post links to some of our recent writings regarding COVID-19 issues, including links of two cover stories in *The Wisconsin Lawyer* magazine. *The Wisconsin Lawyer* is the monthly publication of the State Bar of Wisconsin and addresses issues of interest throughout the state and country.

Christa Wittenberg and Grant Killoran authored the cover article in the April, 2020 edition of *The Wisconsin Lawyer* entitled "Due Process in the Time of the Coronavirus." Their article analyzes legal concepts governing the measures utilized by public health officials to combat an outbreak of contagious disease, focusing on COVID-19. Their article can be found here.

Grant Killoran, Joe Newbold and Erica Reib authored the cover article in the June, 2020 edition of *The Wisconsin Lawyer* magazine entitled "The New Wave of Litigation: An Early Report on COVID-19 Claims." Their article analyzes the types of claims being made related to the COVID-19 pandemic. Their article can be found here.

We also include a link to a recent article on our firm's Employment LawScene blog related to the COVID-19 pandemic entitled IRS Says Reduced-Cost or Free COVID-19 Testing or Treatment Won't Prevent Individuals from Making or Receiving HSA Contributions.

Lastly, in conjunction with last week's start of the Major League Baseball season, we include a link to an article recently posted in our newsroom by Attorney Pete Faust entitled COVID-19 Raises Privacy Issues for Major-League Baseball. The article discusses not only the current state of privacy policy in the baseball world, but also reviews the obligations of other businesses under the ADA, FMLA, CARES Act, GINA, and HIPAA.

We hope you enjoy this blog. If you have any questions about any of the articles or issues discussed in it, please feel free to contact the authors.

CONSIDERATIONS FOR CONTRACTUAL ARBITRATION PROVISIONS

Arbitration is a common form of alternative dispute resolution (ADR) used frequently and effectively in business settings. In arbitration, the parties have flexibility to choose decision-makers, jurisdiction, and many procedural rules, but they limit themselves in terms of discovery and some courtroom protections.

While most courts will enforce arbitration clauses in contracts, such clauses should be sufficiently clear and precise. When considering arbitration and contractual arbitration provisions:

1. Treat arbitration clauses as key business terms.

The arbitration clause contains the details of how you will settle any dispute that arises. Review it as carefully as you would any other business term, like delivery or payment details.

2. Use the contractual negotiation process to design a mutually-agreeable arbitration clause.

During contract negotiation, most business parties are cooperating well together and are pursuing a shared interest in creating a contract that benefits them both. This atmosphere lends itself well to creating an arbitration clause that will meet the parties' respective needs if a dispute arises later.

3. Attend to the details.

Although negotiation is a good time to address arbitration decisions, remember that cooperation between the parties in negotiating their contract is not necessary a sign that this corporation will continue. Any details regarding arbitration not agreed upon at the outset of

the deal may be more difficult to negotiate after the arbitration provision is part of a signed agreement and the parties face a dispute and feel less inclined to cooperate.

4. Focus on the type of arbitration that is appropriate for the transaction.

The type of arbitration that is most familiar to you may not be the best choice for every transaction or situation. Consider your business goals each time the question of arbitration is discussed. For instance, will the circumstances of a future dispute lend itself well to binding arbitration, or does non-binding arbitration provide more or better "bargaining power" to discuss a settlement of the dispute?

If you have any question, please contact Grant Killoran at grant.killoran@wilaw.com or 414-276-5000.

CREATING ARBITRATION CLAUSES IN CONTRACTS: WHERE AND HOW

Arbitration clauses in commercial and employment contracts are increasingly popular as a means to try to settle business disputes without going through a court trial. Arbitration clauses should be clear regarding how the arbitration is to be carried out.

In addition to detailing who will hear the dispute (the arbitrator), an arbitration clause should designate a place or venue for the arbitration. This is particularly important if there is a chance the dispute will be between a private party and a foreign government. If so, the private party may wish to have any arbitration take place in a neutral country.

An arbitration clause also should make clear how the arbitration will be carried out. For example, what issues will be decided in the arbitration – and what issues, if any, should be excluded from the arbitration? There may be certain issues that are not suited to arbitration, or that cannot be arbitrated in a particular jurisdiction. In addition, arbitration clauses can specify whether the arbitration is intended to be binding or non-binding, as well as the governing law to be applied.

A "good faith negotiation" or mediation clause can be useful to allow the parties to attempt to settle their dispute before the arbitration begins, either by direct negotiation or with a third party mediator.

Also, consider language to address certain procedural issues, such as: the scope and nature of discovery and the discovery process and the arbitration hearing procedures, including

rules of evidence, exhibits, court reporters, and the record (if any) of the proceeding. Arbitration clauses also can include information on the scope of allowable remedies, including whether injunctive relief is allowed or the parties can agree to limitations or exclusions of remedies.

If you have any question, please contact Grant Killoran at grant.killoran@wilaw.com or 414-276-5000.

CONTRACTUAL ARBITRATION CLAUSES: ARBITRATOR SELECTION AND QUALIFICATIONS

An increasing number of contracts contain arbitration clauses. But not all arbitration clauses are equally clear, precise, and specific–or equally enforceable.

Like other contract clauses, an arbitration clause may be invalidated under general principles of contract law. The U.S. Supreme Court has ruled that an arbitration clause may be invalid if it is indefinite, fraudulent or unconscionable, or was agreed upon under duress. As a result, commercial arbitration clauses should be clear and specific.

Before agreeing to an arbitration clause, consider how you would want any future arbitration to proceed, and the circumstances under which arbitration would be required.

For instance, consider whether you would like to use the services of a specific alternative dispute resolution provider, such as the American Arbitration Association. If you are considering such a provider, you might wish to examine its sample arbitration clauses and compare them to your own.

Next, consider the process established to select the arbitrator or arbitrators. Do you want to present your dispute to a single arbitrator or to an arbitration panel? For example, some arbitration clauses specify a panel of three arbitrators: each party picks one arbitrator, and then those two arbitrators choose the third arbitrator.

In addition to considering *how* the arbitrator will be chosen, you also should consider *who* will be qualified to serve as an arbitrator. For example, do you want the arbitrator to have relevant experience in a particular subject area (like architecture, engineering, software, publishing, or employment) or a particular qualification (like a CPA or a JD)? By considering these sort of issues prior to entering into an arbitration agreement, you can reduce the risk of future conflicts and add a degree of certainty to the arbitration process.

If you have any question, please contact Grant Killoran at grant.killoran@wilaw.com or 414-276-5000.

TRENDS IN ARBITRATION IN THE UNITED STATES

Businesses in the United States have used arbitration clauses in contracts for many years. The purpose of these clauses is to encourage (or require) that contract disputes be settled in arbitration rather than by litigation and trial. Consumer and employment contracts frequently include arbitration clauses.

As Internet-based businesses have exploded over the past fifteen years, so have the number and types of business contracts containing arbitration clauses. Businesses frequently include mandatory arbitration provisions in their online "terms and conditions" for use of their sites, products or services. Businesses engaging in international transactions, whether online or offline, also may include arbitration provisions in their agreements to limit litigation in countries throughout the world.

While business contracts have changed to reflect changes in alternative dispute resolution, litigation, and the business environment, the arbitration process in the United States also has changed to reflect a more technologically-interconnected world in which arbitration, not litigation, is being used to resolve many types of business disputes.

As a result, arbitration proceedings now often include many of the rules for the handling of electronically stored information (ESI) that U.S. courts already have enacted. Due to its "electronic" nature, ESI can present challenges involving discovery, security, and authentication that traditional paper-based recordkeeping does not.

Courts have addressed these challenges by creating specific rules addressing ESI issues, as well as by adapting existing rules for paper-based documentation to try to accommodate ESI. Since arbitration proceedings frequently handle disputes involving businesses that create, store, and use large quantities of electronic information, many arbitrators have adopted similar rules. But the rules governing ESI usually differ between litigation and arbitration and one potential advantage of arbitration therefore is the possibility of a limited discovery process. Arbitration often can reduce the amount of "big data" a party must parse in order to find what is relevant to the proceeding at hand.

Arbitration remains the second most popular form of alternative dispute resolution in the

United States, after mediation. The formal and binding nature of most arbitration – along with the fact that parties can choose arbitrators with specialized technical knowledge helpful to understand the details of the dispute – makes arbitration an appealing alternative to litigation (and trial), particularly when international jurisdictions may be in play.

If you have any question, please contact Grant Killoran at grant.killoran@wilaw.com or 414-276-5000.

A DEEPER DIVE INTO THE ARBITRATION PROCESS AND A LOOK AT THE ADVANTAGES AND DISADVANTAGES OF ARBITRATION

During arbitration, evidence and testimony are presented at a formal arbitration hearing. Discovery may occur before then, but its scope usually is limited by the parties' agreement or the arbitrator rules. After the arbitration hearing, the arbitrator issues a decision, known as an "award."

Arbitration may be binding or non-binding. Most arbitrations held in the U.S. today are binding arbitrations. In a "binding" arbitration, the arbitrator's decision is final, binding, and enforceable in court, similar to a court judgment. Both Wisconsin state and federal courts will enforce binding arbitration decisions. A "non-binding" arbitration does not have these elements of a binding arbitration, but can be helpful for evaluating a case or creating a basis for settlement negotiations between the parties.

The utility of arbitration (and other forms of alternative dispute resolution) in a particular dispute depends on various factors, including the nature of the dispute, the contract at issue and the state and federal laws in question, as well as the potential financial and time-related costs of litigation.

So why do parties choose arbitration? They do so because the arbitration process offers certain advantages. For instance, arbitration allows the parties to choose the place, time, rules, law, and people who will make the decision on the dispute. This flexibility, in turn, can make it easier for the parties to present technical facts since they can often choose a person or panel with expertise to understand a complex situation. The arbitration process also is typically shorter and faster than litigation and a trial due to limited, private discovery and streamlined procedural rules. Finally, most arbitration decisions are final and binding, with no appeals.

As with every dispute resolution process, however, arbitration also has certain disadvantages. Arbitration does not offer the right to a judge or a jury. Discovery is limited not only by the "ground rules" of the selected arbitration forum, but also by the limited power arbitrators have to force non-parties to submit to discovery or to issue subpoenas. Third parties cannot be added to arbitration without their consent, making complex multi-party disputes more difficult to resolve. Court rules of evidence and procedure do not apply. Since complex arbitration can be costly, parties with limited financial resources may be at a disadvantage in arbitration, and may not have the leverage litigation can provide to share or shift costs.

Arbitrators have wide discretion in their decision-making and have no obligation to explain their reasoning to the parties. Appeals from arbitration awards are rare. Typically, an arbitration award can be overturned only as a result of corruption, fraud, partiality, or prejudicial misconduct by the arbitrator.

If you have any question, please contact Grant Killoran at grant.killoran@wilaw.com or 414-276-5000.

WHAT IS ARBITRATION?

Arbitration is a common form of alternative dispute resolution (ADR) in which parties agree to resolve a dispute by submitting it to one or more neutral decision-makers, or arbitrators, for decision. Arbitration consists of a formal hearing, similar to a trial, where the parties are represented by legal counsel and present evidence and testimony. The parties usually have the option to choose the decision-makers.

In Wisconsin, arbitration is governed by the Wisconsin Arbitration Act, which is found in Chapter 788 of the Wisconsin Statutes. Among other things, the Wisconsin Arbitration Act states that an arbitration clause in a contract is valid, irrevocable and enforceable unless certain grounds exist to invalidate the contract. However, a few disputes, including certain disputes over employment contracts, petroleum storage tank remediation and state employment relation matters, are exempt from this rule.

In a dispute governed by a contract containing an arbitration agreement, the Wisconsin Arbitration Act requires Wisconsin courts to send the parties to arbitration, instead of trial, pursuant to the terms of their contract. If a party seeking arbitration has failed to live up to its obligations under the contract containing the arbitration agreement, however, the court may choose whether or not to stay litigation so that the arbitration may proceed.

The Federal Arbitration Act contains a similar rule that “a written provision in any … contract” that indicates an intent to settle contract-related disputes by arbitration “shall be valid, irrevocable, and enforceable, save upon such grounds as exist at law or in equity for the revocation of any contract.”

In addition, federal courts may refer civil actions and bankruptcy adversary proceedings to arbitration if the parties consent. Both federal districts in Wisconsin have rules governing arbitration and other forms of ADR. Federal constitutional claims, some civil rights claims and claims involving damages over $150,000 cannot be sent to arbitration from federal court, however.

If you have any question, please contact Grant Killoran at grant.killoran@wilaw.com or 414-276-5000.