

Digital Dispute Resolution Rules

UK Jurisdiction Taskforce



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“Digital business relationships and digital assets are eating the world. In this context, the **emergence of new digital dispute resolution methods is highly necessary**. These rules are a bright example of how **innovating in the legal field is possible**, without requiring major legislative intervention.”

Alessandro Palombo

CEO, Jur

JUR

Foreword

In November 2019, the UK Jurisdiction Taskforce published its [Legal Statement on the Status of Cryptoassets and Smart Contracts](#). The Legal Statement expressed the view that cryptoassets were property and smart contracts were contracts under English law, and has been very well received in many jurisdictions.

The UK Jurisdiction Taskforce is now publishing its Digital Dispute Resolution Rules to be used for and incorporated into on-chain digital relationships and smart contracts. They are ground-breaking in that they allow for:

- Arbitral or expert dispute resolution in very short periods
- Arbitrators to implement decisions directly on-chain using a private key
- Optional anonymity of the parties

The **Digital Dispute Resolution Rules** have been drafted after extensive public and private consultation with lawyers, technical experts and financial services and commercial parties.

I am confident that the **Digital Dispute Resolution Rules** will be incorporated into many types of digital transaction going forward. The UK Jurisdiction Taskforce will keep a close watch on how the Digital Dispute Resolution Rules are used, and will aim to consider whether experience suggests they need revision within the coming year.

I am extremely grateful to the sub-committee, which has worked so hard to prepare these Rules (Lawrence Akka QC, David Quest QC, Dorothy Livingston, Anne Rose, David McIlwaine, Richard Hay and Rory Conway).



Sir Geoffrey Vos

Master of the Rolls

Digital Dispute Resolution Rules

Version 1.0 (2021)

1. Statement of purpose.

The purpose of these rules is to facilitate the rapid and cost-effective resolution of commercial disputes, particularly those involving novel digital technology such as cryptoassets, cryptocurrency, smart contracts, distributed ledger technology, and fintech applications.

“We intend to incorporate the Rules into our **dispute resolution ecosystem because they provide for specialised arbitrators and a specialised arbitration procedure, with the possibility of on-chain enforcement of an arbitrated outcome. **We are grateful to the UKJT for engaging with the tech and business community to facilitate affordable access to justice and enable vital commerce.**”**

Vinay Gupta

CEO, Mattereum

MATTEREUM

2. Definitions. In these rules:

- a. a **digital asset** includes a cryptoasset, digital token, smart contract or other digital or coded representation of an asset or transaction; and a **digital asset system** means the digital environment or platform in which a digital asset exists;
- b. an **interested party** means a party to a contract into which these rules are incorporated including, in relation to a digital asset, a person who has digitally signed that asset or who claims to own or control it through possession or knowledge of a digital key;
- c. an **automatic dispute resolution process** means a process associated with a digital asset that is intended to resolve a dispute between interested parties by the automatic selection of a person or panel or artificial intelligence agent whose vote or decision is implemented directly within the digital asset system (including by operating, modifying, cancelling, creating or transferring digital assets);
- d. **identity details** for an individual means evidence as to his or her identity and residence and for a company means evidence as to its identity, place of incorporation and principal place of business;
- e. the **appointment body** means the Society for Computers and Law;
- f. the **tribunal** means the arbitrator or expert (or panel of arbitrators or experts) appointed by the appointment body to resolve the dispute or any issue.

3. Incorporation.

These rules may be incorporated into a contract, digital asset or digital asset system by including the text (which may be in electronic or encoded form) **“Any dispute shall be resolved in accordance with UKJT Digital Dispute Resolution Rules”** and, optionally, by specifying:

- a. whether any particular issue or type of dispute (an expert issue) should be resolved by expert determination instead of arbitration;
- b. any preferences as to the number, identity or qualifications of any persons to be appointed as arbitrators or experts;
- c. any preferences as to the procedure to be adopted for the resolution of a dispute, including as to form and timing of any decision or arbitral award (as applicable), recoverable costs and anonymity;
- d. any modifications to the application or operation of the rules.

4. Automatic dispute resolution.

The outcome of any automatic dispute resolution process shall be legally binding on interested parties.

5. Submission to arbitration.

Any dispute between interested parties arising out of the relevant contract or digital asset which was not the subject of an automatic dispute resolution process shall be submitted to arbitration in accordance with the version of these rules which is current at the time of submission; but any expert issue shall be determined by an appointed expert acting as such and not as an arbitrator.

6. Commencement of proceedings.

An interested party (a *claimant*) may commence proceedings by giving a notice of claim to each other interested party against whom a claim is made (a *respondent*) and to the appointment body. The notice shall include the following information:

- a. the claimant's identity details;
- b. electronic contact details for the claimant and each respondent;
- c. brief details of the claim, including a statement of the remedy sought;
- d. a brief explanation of why these rules apply to the dispute;
- e. details of any preferences specified in accordance with rule 3 above;
- f. proposals for paying or securing the fees of the appointment body and the tribunal;

and may also include any other material relevant to the claim, including supporting documents, supporting digital material, witness statements and arguments, and any proposals as to the procedure to be adopted.

7. Initial response.

Within three days of receipt of a notice of claim, each respondent shall send an initial response to the claimant, each other respondent and the appointment body. The initial response shall include the respondent's identity details and electronic contact details and may also (but need not) include comments on the claim, the respondent's proposals for the procedure, the respondent's proposals for paying or securing the fees of the appointment body and the tribunal, and any other material relevant to the claim.

8. Appointment of tribunal.

The appointment body shall appoint a tribunal as soon as practicable after the time for receipt of the initial responses and shall notify the parties of the identity of the arbitrators or experts and their electronic contact details. The appointment body shall have regard to any preferences specified or agreed as to the number, identity or qualifications of arbitrators or experts but shall not be bound by them. The appointment body and the tribunal shall not be obliged to act, or to continue acting, unless reasonable arrangements have been made to pay or secure their fees. The appointment body may publish anonymised statistics from time to time as to appointments made, and the general nature of disputes commenced.

9. Procedure.

The tribunal shall have absolute discretion as to what procedure is adopted thereafter, but in exercising its discretion shall act fairly and impartially as between the parties, giving each party a reasonable opportunity of putting their case and dealing with that of their opponent. Having regard to available technologies and the need for expedition, the tribunal shall adopt procedures suitable to the circumstances of the particular case, avoiding unnecessary delay or expense, so as to provide a fair means for the resolution of the matters falling to be determined.

10. Evidence and submissions.

Having consulted the parties, the tribunal shall have absolute discretion as to what evidence and argument it receives and in what form but shall as far as practicable permit parties to submit evidence and argument electronically. No party shall have the right to an oral hearing, and the tribunal may if it considers it appropriate determine the dispute on the basis of written submissions only.

11. Power in relation to digital assets.

The tribunal shall have the power at any time to operate, modify, sign or cancel any digital asset relevant to the dispute using any digital signature, cryptographic key, password or other digital access or control mechanism available to it. The tribunal shall also have the power to direct any interested party to do any of those things.

12. Time for and form of awards and decisions.

The tribunal shall use its best endeavours to determine the dispute within any time period specified or agreed by the parties or, if none is specified or agreed, within 30 days from its appointment. Any award or decision of the tribunal must be in writing (which includes in electronic form) and must be signed by the tribunal (which includes, if the tribunal thinks it appropriate, by digital signature or cryptographic key).

13. Optional anonymity.

The claimant and each respondent must provide details and evidence of their identity to the reasonable satisfaction of the tribunal. If the incorporating text allows for anonymous dispute resolution, or the parties agree, then a claimant or respondent may provide identity details confidentially to the tribunal alone and need not include them in a notice of claim or initial response. In that case the tribunal shall not disclose the identity details unless disclosure is necessary for the fair resolution of the dispute, for the enforcement of any decision or award, for the protection of the tribunal's own interests, or if required by any law or regulation or court order.

14. Consolidation.

Tribunals appointed in different arbitrations under these rules may, if each tribunal concurs, order that the arbitrations be consolidated and that a consolidated tribunal (composed of some or all of the members of the different tribunals) be appointed to hear them.

15. Publication of anonymised awards and decisions.

If the tribunal considers that an award or decision is of general interest, and if the parties do not object, the tribunal may provide it in anonymised form to the appointment body for publication.

16. The juridical seat of any arbitration shall be England and Wales.

The law applicable to these rules is the law of England and Wales, and unless the parties agree otherwise, disputes shall be resolved in accordance with the law of England and Wales. The decision or award of the tribunal is final and binding. There is no right to appeal any award on a point of law, and there is no other right of appeal or challenge to such award except as permitted under the Arbitration Act 1996.

“As CEO of a company in the blockchain and dispute resolution industry, I’m very impressed with the Rules. I believe they strike a good balance between industry needs, technological realities and consumer protection imperatives. It is my hope that this project will result in forward looking legislation contributing to the UK leadership in the new global and decentralized economy.”

Dr. Federico Ast

CEO, Kleros



Further guidance

We hope these questions and answers provide some further guidance about the Digital Dispute Resolution Rules. The answers are not part of the Rules themselves. They are not comprehensive or definitive, and are not legal advice. If you have questions arising out of your particular circumstances, you should consult a lawyer.

The operation of the Rules will be closely monitored to ensure they are working effectively, and relevant statistics may be published from time to time. If you have any comments or suggestions about their use in practice or how they might be adapted, please email them to UKJT@justice.gov.uk.

What is LawtechUK and the UKJT?

LawtechUK, a government-backed initiative within Tech Nation, is established to support the transformation of the UK legal sector through technology, for the benefit of society and the economy. Established in 2018 by the Secretary of State for Justice, the LawtechUK Panel, then the Lawtech Delivery Panel, are a group of leaders and experts from the public and private sectors working to achieve that objective and acting as the advisory board to LawtechUK.

The UKJT was established by the Panel as a taskforce to demonstrate that English law and the jurisdiction of England and Wales together provide a state-of-the art foundation for the development of distributed ledger technology, smart contracts and associated technologies.

In November 2019, the UKJT published a globally well-received [Legal Statement on cryptoassets and smart contracts](#), which sought to clarify key questions regarding the legal status of, and basic legal principles applicable to, cryptoassets and smart contracts under English law.

What are the UKJT Digital Dispute Resolution Rules, and why are they different from other available rules?

The Rules are intended to facilitate the rapid and cost effective resolution of disputes arising in the context of digital assets, smart contracts, blockchain and other new technologies, and to foster industry confidence in their use.

The Rules allow parties to resolve their disputes in arbitration by an arbitrator, rather than by a judge in court. Unlike other sets of arbitration rules, a key objective is to provide maximum flexibility in the procedure so that it can be tailored to the distinctive features of these technologies, and to ensure disputes will be resolved quickly by arbitrators with appropriate technical expertise. They are deliberately short, provide for a speedy process (which can be extended if required to fit the needs of the particular dispute) and encourage the use of technology in the process. They need to be read against the background of the Arbitration Act 1996, which amongst other things sets out sensible defaults for circumstances not expressly dealt with by the Rules themselves.

What is arbitration?

Arbitration is a method of resolving disputes out of court, which involves the parties appointing an arbitrator (or panel of arbitrators) to make a binding decision, from which there are very limited grounds of challenge. Parties must have agreed to use arbitration for it to apply, usually by providing for it in advance in a contract or by agreeing to arbitrate once a dispute has already arisen.

Arbitration provides the parties and arbitrator with flexibility to tailor the procedures to the dispute in question. It also allows the parties to select an arbitrator with the appropriate degree of experience or technical expertise, or, as is the case in the Rules, to choose an appointing body that can do so for them.

Unlike a court judgment, an arbitrator's decision (known as an "award") is normally entirely confidential (though the Rules allow for an anonymised version to be published unless someone objects, so that those involved with these technologies can see how the law is developing). It is also generally easier to enforce overseas than a court judgment, because over 165 countries have signed up to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**").

Why do the rules say that English law applies?

English law provides an established and familiar framework by reference to which rights in respect of digital technologies can be effectively established and enforced.

When services are decentralised and participants can be located all over the world, it can be very difficult to work out which country's laws apply when there is a dispute, and in which country the dispute should be resolved. This can lead to lengthy (and costly) legal battles.

It is therefore sensible for parties to agree in advance which country's laws should govern certain aspects of their relationship and transactions, and, subject to some constraints, they are allowed to do this. As set out in the [UKJT's legal statement](#), in the UKJT's view, English law provides an established and familiar framework by reference to which rights in respect of digital technologies can be effectively established and enforced, and English law is well able to deal with technological developments and has an impressive track record of doing so.

In addition, arbitration is very well developed and supported in England and Wales. The Arbitration Act 1996 provides an ideal background for flexible arbitration procedures which give parties and arbitrators a great deal of autonomy as to how disputes are to be resolved.

What is expert determination?

Expert determination is another method of resolving disputes out of court. It is generally more appropriate for determining shorter factual issues, rather than (or as a small part of) complex legal disputes, and it can be a quick and cost-effective way of doing so. In the context of digital disputes, an oracle determining a valuation, or whether or not a specified event has occurred, might be a form of expert determination.

Expert determination differs from arbitration in several key respects. Most importantly, expert determinations do not operate within the same legal framework as arbitrations. The New York Convention does not apply to expert determinations, meaning that determinations are not enforced overseas in the same way as arbitral awards.

The Rules allow for the parties to agree that expert determination can be used for the determination of particular issues. It is anticipated that the parties will agree elsewhere (for example in the rules governing participation in a private blockchain) exactly how and when expert determination is to be used.

What is the SCL, and what is its role?

The Society for Computers and Law promotes education and training on the impact of information technology on law and legal practice. It is a registered charity and its members include legal practitioners, technology professionals, academics and students. SCL is not an arbitral institution and in accordance with the Rules its role is simply to manage the appointment of arbitrators and experts, and to publish anonymised decisions in appropriate cases. Over time we will gauge interest in the SCL taking on a more institutional role. If they want to, parties can agree that another body should manage the appointment of arbitrators or experts.

Who can be on the tribunal?

Arbitrators and experts may come from any relevant discipline, including technologists, lawyers, accountants etc. The parties can express preferences in advance as to their number, identity or qualifications, and in making an appointment the SCL will have regard to those preferences.

It is anticipated that the SCL will develop a panel, with arbitrators and experts being selected according to their expertise in relevant technologies.

What sort of disputes can be determined under the Rules?

The Rules are intended to apply to disputes relating to cryptoassets, smart contracts or any novel digital technologies, but they may be adopted and applied to any dispute subject matter.

What about dispute resolution by peer to peer systems/voting?

Sometimes, in the digital asset sphere, arrangements will have been made for disputes to be resolved by peer-to-peer or other voting by a community. The Rules refer to that as an “automatic dispute resolution process”, and provide that its outcome will be legally binding. Otherwise, they are intended to complement such systems, and may, for example, be adopted to resolve disputes as to whether the automatic dispute resolution processes have been properly complied with or has worked as intended. Where such automatic processes are present, the parties will need to agree how the Rules are intended to work alongside them.

Who do the Rules apply to?

The Rules do not apply automatically; they must be agreed to in writing by the parties, either before a dispute has arisen (commonly by incorporation into the legal relationship), or afterwards, e.g., at the point a dispute arises. The Rules themselves provide suggested wording for their incorporation, and it is anticipated that the Rules will be expressly adopted into rules and contracts governing participation in and use of cryptoassets. The arbitration award or expert determination will be binding on the parties, and on anyone claiming through or under them.

How does anonymous arbitration work?

The Rules provide an option for anonymity, although each party must provide details and evidence of their identity to the reasonable satisfaction of the tribunal. The tribunal may require details, for example, for the purposes of complying with laws against money laundering or the avoidance of international sanctions. Even then, although this is dependent on the circumstances, it may be possible for the parties to remain anonymous to each other, reflecting the fact that they may have transacted anonymously on a blockchain in the first place.

How will the procedure work?

The Rules specify a rapid procedure by default. Once a party submits a claim the other party or parties will have three days from receipt to make an initial response. The tribunal will then be appointed as soon as practicable and will be required to use their best endeavours to determine the dispute within 30 days. Within that time period the tribunal has absolute discretion as to the procedure to adopt and the evidence and legal arguments they receive. They have to act fairly and impartially, and give each party a reasonable opportunity to make their case.

The aim is that the parties and the tribunal have real flexibility to tailor the process to suit them and their dispute. They can agree, or the tribunal can decide, to alter any timescale set out in the Rules, for example, by lengthening the period of time for the determination of the dispute. They can, if they want, agree that certain procedural steps will take place, or that certain evidence (for example on-chain evidence) will be given particular weight. The tribunal will consult the parties when determining the procedure and the parties will be able to suggest procedural steps or appropriate timescales.

How does an arbitrator resolve the dispute?

An arbitrator will resolve the dispute by looking at the evidence and arguments presented by the parties, and by applying the law. They will make one or more awards giving the result. The award will contain the arbitrator's reasons, unless the parties agree that it does not need to (which might result in it being produced more quickly).

In the same way as a court, the arbitrator can require one party to pay compensation to the other, can order a party to do or refrain from doing anything, and can order the rectification, setting aside or cancellation of a deed or other document.

If there is the technical power to do so, an arbitrator can also operate, modify, sign or cancel any relevant digital asset. But this depends of course on the system architecture of the relevant network, and upon the arbitrator having been given, e.g., the necessary private key(s).

Expert determinations can work a little differently, depending on the circumstances.

What is the consolidation rule for?

Digital relationships may involve multiple different parties and potentially a number of different contracts. It is possible, for example, that one party might be involved in a number of different arbitrations before different arbitrators, which all concern the same or similar circumstances. The consolidation rule allows in appropriate circumstances for some or all of these different arbitrations to be combined into one arbitration so that the disputes can be resolved at the same time by the same arbitrator (or panel of arbitrators).

Can a party rely on on-chain evidence?

Yes, in the same way as other evidence, provided that it is accessible to all parties and the arbitrator. It is up to the tribunal to decide how much weight to place on it.

How can the arbitration award or expert's determination be enforced?

An arbitration award or expert determination produced under the Rules can be enforced by court proceedings in England and Wales.

Arbitration also benefits from an effective international enforcement regime under the New York Convention. Over 165 countries have signed this treaty and agreed that they will uphold an agreement to arbitrate and recognise and enforce foreign arbitral awards, subject to only limited exceptions. You may have to take legal advice as to whether an arbitration under the Rules will result in an award which is enforceable in any particular country. The wide coverage of the New York Convention is considered to be one of the main benefits of arbitration, particularly in an international context.

Can I go to Court in the usual way instead?

Generally, no, not if the parties have agreed that the dispute should be resolved under the Rules.

There are a few exceptions, such as where one party is a consumer not acting in the course of a business, and they are claiming a sum less than £5,000 from a business. In those circumstances, the consumer might be entitled to go to court instead if they choose to.

Is it free to use the procedure under the Rules?

No. The appointment body and the tribunal are not obliged to act unless reasonable arrangements are made to pay or secure their fees. An arbitrator can also decide how any costs of the arbitration (including the parties' own legal expenses) are to be borne as between the parties.

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