NO. A12-1944

State of Minnesota
In Supreme Court

SEAGATE TECHNOLOGY, LLC,

Respondent,

vs.

WESTERN DIGITAL CORPORATION, WESTERN DIGITAL TECHNOLOGIES, INC., AND SINING MAO,

Petitioners.

Amicus Petition of the Chamber of Commerce of the United States of America

Date of Filing of Petition Initiating Appeal: August 20, 2013

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Arbitration is an essential tool for dispute resolution throughout the country and across Minnesota. Petitioner the Chamber of Commerce of the United States of America urges the Minnesota Supreme Court to grant review of the court of appeals' published decision in this matter, under Minn. R. Civ. App. P. 129.01. The Chamber[1] is the world's largest business federation. It represents 300,000 direct members and indirectly represents the interests of more than three million companies and professional organizations of every size, in every industry sector, and from every region of the country, including Minnesota.

The Chamber presents a strong and public interest in the predictability and stability of enforcing arbitration agreements. It frames the issue broadly: under Minnesota's version of the Uniform Arbitration Act, what is the scope of an arbitrator's power to impose punitive sanctions on a party to an arbitration agreement when the agreement is silent as to that authority?

The resolution of this issue is critical to the Chamber's Minnesota members, which rely on arbitration agreements in their contractual relationships. Their reliance stems in no small part from longstanding support for arbitration by the state's legislature and courts. *Schmidt v. Midwest Family Mut. Ins. Co.,* 426 N.W.2d 870, 877 (Minn. 1988) (stating that public policy favoring arbitration is "clearly and firmly established in our law").

The issue's resolution is also of critical public importance to Minnesota, which in 1957 became the first state to adopt the Uniform Arbitration Act. *See Carlstrom v. Indep. Sch. Dist. No. 77*, 256 N.W.2d 479, 483 (Minn. 1977) ("The Uniform Arbitration Act [was] adopted by this

[1] Pursuant to Minn. R. Civ. App. P. 129.03, the Chamber of Commerce of the United States of America, petitioning in support of review, affirms that no counsel for a party authored this petition in whole or in part and that no person other than the Chamber, its members, or its counsel have made monetary contributions intended to fund the preparation or submission of this petition.

state in 1957...."); *Ehlert v. W. Nat'l Mut. Ins. Co.*, 296 Minn. 195, 199, 207 N.W.2d 334, 336 (1973) ("Minnesota became the first state to adopt the Uniform Arbitration Act....").

It follows that Minnesota has long been a leader among the states in treating arbitration as a favored legal proceeding. *Ehlert*, 296 Minn. at 199, 207 N.W.2d at 336 ("Minnesota has consistently looked on arbitration as a proceeding favored in the law."). In fact, this Court has consistently recognized an essential state policy in encouraging arbitration because of the resulting benefits in efficiency and decreased costs for the parties. *Grover-Dimond Assocs. v. Am. Arbitration Ass'n*, 297 Minn. 324, 327, 211 N.W. 2d 787, 788 (1973) ("Clearly, it is the policy of this state . . . to encourage arbitration as a 'speedy, informal, and relatively inexpensive procedure for resolving controversies arising out of commercial transactions.'"); *see also, e.g.*, *Rose Revocable Trust v. Eppich*, 640 N.W.2d 601, 606 (Minn. 2002) ("This court has repeatedly recognized the value of arbitration in providing parties with an efficient, inexpensive means of dispute resolution."); Steven Shavell, *Alternative Dispute Resolution: An Economic Analysis*, 24 J. Legal Stud. 1, 5-7 (1995) (explaining that alternative dispute resolution agreements lower the costs of dispute resolution).

But arbitration's lower costs and efficiency depend upon clear, predictable rules governing arbitral procedures. Thus confusion over the nature and extent of arbitral power threatens to diminish the attractiveness of arbitration as an alternative to litigation, contrary to the stated purposes of Minnesota's version of the Uniform Arbitration Act. *See, e.g., Ehlert*, 296 Minn. at 199, 207 N.W.2d at 336.

As a result, guidance concerning the scope of arbitral power is particularly important when, as here, arbitration takes place before the non-profit American Arbitration Association ("AAA"), the nation's leading arbitration provider. In fact, in 2012, more than 100 Minnesota

businesses filed requests to arbitrate disputes with the AAA on a range of business matters, including construction, real estate, employment, commercial, and consumer disputes.[2] Further, the sheer volume of arbitration contracts in existence in the state makes the scope of arbitral power an important issue with statewide impact. *See* Minn. R. Civ. App. P. 117, subdiv. 2(d)(2).

Finally, the court of appeals' decision is also of great significance to parties *considering* arbitration contracts. If no clear default rule is in place at the time of contracting, parties may be hesitant to enter into arbitration contracts, thereby again undermining this Court's long-time policy of encouraging arbitration. *See, e.g.*, *Grover-Dimond*, 297 Minn. at 327, 211 N.W. 2d at 788. This would ultimately eliminate the benefits of arbitration and force more disputes into the already overburdened court system. *See Schmidt,* 426 N.W.2d at 874 (citing potential increased costs and burdens due to unnecessary court involvement in arbitration process). In sum, to serve its important business and economic functions, arbitration must be governed by clear legal rules — and only this Court can provide the clarity and guidance needed here. *Mendota Golf, LLP v. City of Mendota Heights*, 708 N.W.2d 162, 176 (Minn. 2006) (clarifying law regarding appropriate use of writ of mandamus); *Kaiser v. Memorial Blood Ctr., Inc.*, 486 N.W.2d 762, 763 (Minn. 1992) (clarifying appropriate limitations period, on certified question).

Accordingly, the Chamber urges this Court to accept review of the court of appeals' decision because (1) the question presented is an important one upon which the Supreme Court should rule and (2) a decision by this Court will help clarify the law and the resolution of the question presented has significant statewide impact. Minn. R. Civ. App. P. 117, subdivs. 2(a); 2(d)(1); 2(d)(2). The uniform arbitration system's importance is reflected in cost and efficiency benefits to the public, and its longstanding legislative and judicial support. *See Ehlert*, 296

[2] Information obtained by the U.S. Chamber of Commerce's counsel from the Am. Arbitration Ass'n, Research & Statistics Dep't, 8/27/13.

Minn. at 199, 207 N.W.2d at 336; *Grover-Dimond*, 297 Minn. at 327, 211 N.W. at 788. Thus, addressing the scope of arbitral power is an important question on which this Court should rule. Minn. R. Civ. App. P. 117, subdiv. 2(a) (allowing review to be granted where "the question presented is an important one upon which the Supreme Court should rule").

Review is also appropriate because the case calls for application of a new principle or policy, and resolution of the issue has potential statewide impact. Minn. R. Civ. App. P. 117, subdiv. 2 (d)(1) (new principle or policy) and subdiv. 2(d)(2) (possible statewide impact). Specifically, the Chamber is unaware of any case in the country in which an arbitration award has involved a sanction comparable to the one imposed here. This new dimension for arbitration proceedings has clear potential for statewide impact and calls again for this state's leadership on an important arbitration issue.

Review and a decision that ultimately clarifies the default rule regarding the scope of arbitral power in Minnesota will provide guidance to the Chamber's members across the state, which routinely rely on arbitration contracts to resolve business disputes in a timely and cost-effective manner. Because guidance and clarity is the key reason for review, the Chamber does not petition in support of either party, nor does it take a position regarding affirmance or reversal of the court of appeals' decision. *See* Minn. R. Civ. App. P. 129.01 (requiring that amicus petition state whether affirmance or reversal supported).

Once this Court clarifies the default rule, parties may rely on that background principle or they may draft specific additional contract terms to fit their needs. *Berry v. Walker Roofing Co.*, 473 N.W.2d 312, 315 (Minn. 1991) (holding parties to traditional commercial arbitration may stipulate to avoid default rules provided that their agreement is sufficiently clear, knowing, and voluntary); *Layne-Minnesota Co. v. Univ. of Minn. Regents*, 266 Minn. 284, 288, 123 N.W 371,

375 (1963) ("[C]ontracting parties, desiring to avail themselves of the benefits of arbitration, retain control over the arbitration process by the language of their agreements.").

But parties cannot draft agreements that meet their transactional needs without a definitive statement of the law from this Court on this important issue with state-wide impact. *See generally,* Minn. R. Civ. App. P. 117, subdiv. 2(d) (review appropriate to develop, clarify or harmonize law). Only with the clarity a default rule provides can the benefits of arbitration accrue in accordance with this state's policy. Accordingly, Petitioner the Chamber urges the Minnesota Supreme Court to grant review of the court of appeals' published decision.

CONCLUSION

Review of this matter would serve Minnesota's businesses and all parties to arbitration by clarifying an important matter affecting the speedy, informal, and inexpensive resolution of disputes through arbitration. The Chamber respectfully urges this Court to grant review.

Respectfully submitted,

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