# Article III - v0.3.0 Draft EOS.IO Constitution - Arbitration[[1]](#footnote-1)

# Purpose

As previously discussed in the [Design Principles](https://forums.eosgo.io/discussion/424/design-principles-of-my-v0-1-draft-eos-io-constitution) of this Draft, the EOSIO Software will provide a "governed blockchain" where disputes can be resolved via binding arbitration. The purpose of this article is simply to establish and authorize the existence of binding arbitration.

# Text of Article

Each Member agrees to resolve disputes through the blockchain’s default arbitration process, or any other process that the parties to a transaction may mutually agree to in advance.

# Discussion

Contracts are the primary way property rights are exchanged on a blockchain. Since we can't count on the code to be perfect, we need a case-by-case exception handling process.

There will be (I believe) a separate "Arbitration Agreement" between the chain and the Arbitrators. There will also (I believe) be at least one fully formed Arbitration Forum with Rules of Dispute Resolution (RDRs) and a team of Arbitrators, ready to go at launch or very shortly thereafter.

There will need to be (I imagine) system level contracts for tracking default-level arbitration cases.

There will need to be a **method of notification of parties** when someone files a dispute against you, so you can be aware that it's happened. The notification method may be an on-chain broadcast that Members are responsible for monitoring, not unlike "[publishing notice in a newspaper of record](https://en.wikipedia.org/wiki/Newspaper_of_record#Newspapers_of_public_record)".

## Implications

Article III implies several things:

* On-chain disputes get handled via the chain's arbitration process.
* Off-chain disputes get handled like they already do off-chain. (Humans have been disputing things with each other for all of recorded history, and surely beyond.)
* If you're not sure your dispute is on- or off-chain, file a dispute and ask.
* To limit gaming and 'arbitration spam' there will almost certainly be filing fees. Abuse of the system could itself lead to a dispute against the abuser, leading to his having to pay a fine and/or face some other consequence.

## Questions and Answers

Many people have asked questions about how on-chain arbitration will work:

* What if the arbitrator is secretly colluding with one of the disputing parties?

There are a very few grounds for appealing an arbitrator's decision. One is that the arbitrator wasn't independent.

* What if the arbitrator is flat out wrong?

There are a very few grounds for appealing an arbitrator's decision. One is that the arbitrator was grossly incompetent.

* What if the arbitrator (fill in other mistake)?

Arbitration has been used for many decades. Arbitrators can make mistakes on-chain or off-chain. If you're curious how a particular mistake is handled in arbitration, you should be researching arbitration, not blockchains.

* Will arbitrator decisions be legal off of the blockchain?

Yes. Every effort is being made to ensure that on-chain arbitration is binding both on- and off-chain. Fortunately, since 1958 over 150 countries have signed agreements to recognize and enforce the decisions of arbitrators, including arbitrators who are not resident in those countries. We have every reason to believe EOSIO blockchain on-chain arbitration will be treated in the exact same way, if ever an on-chain arbitration case should end up in front of a national court of law.

* Does arbitration have to be agreed to in advance?

That's best practice, yes. Two people could always agree to a new arbitration process and forum AFTER a dispute arises, but then again they could also agree to settle the dispute without any arbitrator at all. Experience suggests that specifying the arbitration forum in advance is the better way.

# Further Work

This area of the EOSIO Governance suite of offerings is undergoing a lot of work that won't be visible in this article. Ultimately, the Constitution has to **authorize and empower arbitration to exist**. The work of **making it exist** is another project that's being worked on right now and that will be shared with the community as it unfolds.

The default set of Rules for Dispute Resolution (RDRs) should answer most people's detailed questions about **how** arbitration cases will unfold, be decided, and be enforced. That is **not** specified in the Constitution.

# Disclaimer

All EOSIO Software governance settings are provided as **default settings** that anyone can accept as-is, alter, or replace completely when launching a blockchain. Governance rules and settings can be chosen at launch, and are designed to be capable of being amended by the community after launch.

# References

* [Convention on the Recognition and Enforcement of Foreign Arbitral Awards](https://en.wikipedia.org/wiki/Convention_on_the_Recognition_and_Enforcement_of_Foreign_Arbitral_Awards)
* [Design Principles of the EOSIO Draft Constitution](https://forums.eosgo.io/discussion/424/design-principles-of-my-v0-1-draft-eos-io-constitution)
* [Proskauer on Arbitration](http://www.proskauerguide.com/arbitration/19/III)

1. https://forums.eosgo.io/discussion/630/article-iii-v0-3-0-draft-eos-io-constitution-arbitration [↑](#footnote-ref-1)