**(S. B. 1199)**

**ACT**

To establish the new "Puerto Rico Arbitration Act," for the purpose of updating the Puerto Rican law governing arbitral proceedings when the parties do not choose a particular arbitration organization or, if one has been chosen, to serve as a complement to the rules of the chosen organization; to repeal Act No. 376 of May 8, 1951, as amended, known as the "Commercial Arbitration in Puerto Rico Act"; to repeal Act 10-2012, known as the "International Commercial Arbitration in Puerto Rico Act"; and for other related purposes.

**STATEMENT OF MOTIVES**

This Act pursues three fundamental objectives: (1) to update the Puerto Rican law governing arbitral proceedings when the parties do not choose a particular arbitration organization or, if one has been chosen, to serve as a complement to the rules provided by the chosen organization; (2) to generate new enthusiasm for the study and practice of arbitration as a mechanism for the resolution of disputes in Puerto Rico; and (3) to conform the existing rules on international commercial arbitration to the Puerto Rican legal culture.

The first objective is advanced by keeping Puerto Rico within the same tradition that was chosen in 1951. At that time, Puerto Rico adhered to the Uniform Arbitration Act ("UAA"). Now, with this Act, the local jurisdiction remains within the orientation of the UAA, incorporating the revisions to the UAA known as the Revised Uniform Arbitration Act ("RUAA"). In this manner, it is intended that the reform proceed with the greatest possible economies in terms of the retraining of the profession. In the moment in which Puerto Rico lives, the pursuit of such economies is an important priority in the tasks of legislative revision.

As to the second objective, this Act acknowledges the criticisms that have been made of the state of affairs regarding arbitration in Puerto Rico: delay, confusion as to the governing law (when federal law applies and when it does not), uncertainty surrounding the function and reviewing latitude of the courts, especially when it is agreed that the award shall be subject to law, and doubts as to the availability of certain mechanisms within arbitral proceedings.

With respect to the third objective, Puerto Rico adopted Act 10-2012, known as the "International Commercial Arbitration in Puerto Rico Act." This legislation is positioned within the tradition promulgated by UNCITRAL in its Model Law on International Commercial Arbitration, approved in 1985 and amended in 2006. However, upon the adoption of said statute, important characteristics of the local legal system were not reflected, such as the nomenclature used in procedural and commercial matters. Thus, through this revision framed in Chapter 4, the statute is repealed, promoting certain drafting changes that contribute to the desired clarity while preserving the international principles that inspire it.

In the judgment of this Legislative Assembly, rather than initiating a piecemeal process of correcting the present course, the most prudent course is to provide for a new beginning in this field through a novel and single body of law. In this sense, a new statute is created which, without being antagonistic to those in force until now, invites the renewal of capabilities, knowledge, and expertise regarding arbitration as a mechanism for the resolution of conflicts.

The RUAA honors the contractual autonomy of the parties who adopt arbitration as the mechanism for the resolution of their controversies. Consequently, the RUAA comes into operation only when the parties have not agreed upon a particular platform to channel the arbitration of their disputes. Also, in deference to the contractual autonomy of the parties and to the federal law interpreting the Federal Arbitration Act, the RUAA limits the reviewing function over awards when appeals arise before the courts. On the other hand, the RUAA seeks to give greater efficiency to arbitral proceedings and, consequently, to make them more attractive to the parties. The first three chapters of this Act follow the orientation of the RUAA in those important respects.

Although several amendments are guided by the RUAA, Chapter 4 departs from its principles insofar as the UNCITRAL Model Law originates from a different legal culture. Thus, two interpretive regimes are created that are independent of each other, but which coexist in a single statute by virtue of Puerto Rico having integrated regulation on commercial arbitration.

For all of the foregoing, the Legislative Assembly of Puerto Rico is aware that the types of controversies susceptible of adjudication in arbitral forums grow each day: disputes between physicians and patients, and consumer claims previously aired through class actions in the courts, are examples of the foregoing. It is not possible, then, to remain behind. That is what this Act is about.

**BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF PUERTO RICO:**

## CHAPTER I - PUERTO RICO ARBITRATION ACT

Section 1.01.- Title.

This Act shall be known as the "Puerto Rico Arbitration Act."

Section 1.02.- Applicability of the Act.

This Act is designated as the "Puerto Rico Arbitration Act," which shall govern all arbitration agreements subject to the laws of Puerto Rico regardless of the date on which said agreements were perfected. This Act shall not affect any other law applicable to Puerto Rico by virtue of which certain controversies are not susceptible of arbitration or are so susceptible under a law other than this one.

Section 1.03.- Definitions.

As used in this Act, the following terms shall have the meaning or content described below:

a) "Arbitrator" is a natural person appointed to resolve, alone or jointly with others, by means of an award rendered with diligence and competence, a controversy that is the subject of an arbitration agreement.

b) "Knowledge" means actual knowledge and not presumed or imputed knowledge.

c) "File" or "Record" is the product of information or entries that are inscribed on a tangible medium or that are stored electronically and are thereafter accessible and may be retrieved in due form.

d) "Reasoned award" means an award in which the reasons the arbitral tribunal had for resolving the controversy submitted to arbitration are briefly stated.

e) "Dispositive award" means an award in which the outcome of the controversy submitted to arbitration is determined, without the legal grounds that justify it.

f) "Fully reasoned award" [laudo motivado] means an award that contains findings of fact and the legal grounds that justify the outcome of the controversy submitted to arbitration.

g) "Arbitration organization" is an association, organization, agency, board, commission, or other neutral entity that initiates, sponsors, or administers arbitral proceedings or that participates in the appointment or designation of arbitrators.

h) "Person" means a natural or juridical person having legal personality under the law, including corporations, trusts, partnerships, limited liability companies, public corporations, and other entities of a similar nature.

i) "Court" [Tribunal or Corte] is a court of justice with jurisdiction in the Commonwealth of Puerto Rico.

j) "Arbitral tribunal" means the forum before which the controversies submitted to arbitration by virtue of the agreement between the parties shall be decided. The arbitral tribunal shall be empowered to rule on its own competence, including on any objections with respect to the existence or validity of the arbitration agreement. For that purpose, an arbitration clause that forms part of a contract shall be treated as an agreement independent of the other terms of the contract. A decision by the arbitral tribunal that the contract is null shall not entail "ipso jure" the nullity of the arbitration clause. A plea or objection that the arbitral tribunal lacks competence shall be raised not later than the time of filing the answer. The parties shall not be precluded from raising such plea or objection by the fact that they have appointed an arbitrator or participated in the appointment thereof. When it is based on the arbitral tribunal having exceeded its mandate, it shall be raised as soon as the matter allegedly exceeding its mandate is raised during the arbitral proceedings. The arbitral tribunal may, in either case, admit an objection raised later if it considers the delay justified. The arbitral

tribunal may decide the objections referred to in this Section as a preliminary question or in an award on the merits or basis of the dispute. If, as a preliminary question, the arbitral tribunal declares itself competent, any of the parties, within thirty (30) days following receipt of notice of that decision, may request the competent court, pursuant to Section 1.09, to decide the matter, and the ruling of such court shall be unappealable. While such request is pending, the arbitral tribunal may continue its proceedings and render an award.

Section 1.04.- Arbitration.

Two or more parties may agree in writing to submit the following to arbitration:

a) any controversy that may be the subject of an existing action between them, or

b) any future controversy that may arise between them in connection with an agreement.

Such agreement shall be subject to the provisions of this Act.

Section 1.05.- Notices.

a) Unless otherwise provided, the notices required by this Act shall be effective once the notifying party takes the measures that are ordinarily sufficient to inform the party being notified, regardless of whether the latter receives the notice.

b) Notice shall be effective:

    1. from the time it is brought to the attention of the party being notified;
    2. from the time it is served at said party's residence or place of business; or
    3. from the time it is served at a place designated by the party being notified for the receipt of such communications.

c) Notwithstanding the foregoing, if a party acquires knowledge of the notice, said party shall be deemed notified.

Section 1.06.- The Award.

Having heard the parties as provided in this Act, the arbitral tribunal shall issue an award to dispose of the controversy submitted to arbitration. The arbitral tribunal shall issue a reasoned award unless the parties, with the consent of the arbitrator, agree that the award be in another form.

Section 1.07.- Modification of the Award by the Arbitral Tribunal.

a) Upon motion filed by any of the parties to the proceeding, the arbitral tribunal may modify or correct an award:

    1. for any of the reasons contemplated in Section 1.10(a)(1) or (3) of this Act;
    2. when the award has left unresolved a claim submitted by the parties to the proceeding; or

3. to clarify the award.

b) The motion contemplated in subsection (a) of this Section must be made within twenty (20) days of receipt of notice of the award and shall be notified to all parties within that same term. The parties so notified shall appear within a term of ten (10) days to state any objections they may have to the request.

c) If a motion under Sections 1.08, 1.09, 1.10 of this Act is pending before the court, the court may refer the motion to the arbitrators for them to consider the amendment or correction of the award.

d) An award corrected or modified under this Section shall be subject to the provisions of Sections 1.08, 1.09, 1.10 and 2.16(a) of this Act.

Section 1.08.- Confirmation of Awards.

Any party to an arbitral proceeding, after thirty (30) days have elapsed from receipt of notice of an award, may request the court for an order confirming the award. The opposing party shall have forty-five (45) days to express itself on the request for confirmation. The court shall address the matter promptly and shall issue an order of confirmation unless the award is modified or corrected in accordance with Sections 1.07 and 1.10 of this Act or is set aside in accordance with Section 1.09.

Section 1.09.- Voidability.

a) Upon request of a party, the court shall annul the award only if:

1. the award was procured by corruption, fraud, or other similar conduct;
2. there was:
   i. evident partiality on the part of the arbitrators,
   ii. corruption on the part of the arbitrators, or
   iii. misconduct by the arbitrators that prejudiced the rights of a party to the proceeding;
3. the arbitrators refused to postpone the hearing, even though sufficient cause for the postponement was shown, refused to consider evidence material to the controversy, or the hearing was conducted contrary to Section 2.12 of this Act, so as to substantially prejudice the rights of a party to the proceeding;
4. the arbitrators exceeded their powers;
5. there was no arbitration agreement, unless the aggrieved party participated in the arbitration proceeding without objecting under Section 2.12(c) of this Act prior to the commencement of the arbitration hearing; or
6. the arbitration was initiated without prior notice as required in Section 2.04 of this Act.

b) A petition made pursuant to the provisions of this Section shall be filed within ninety (90) days after notice of the award in accordance with Section 2.16 of this Act or within ninety (90) days after the modified notice or corrected award in accordance with

Section 1.07 of this Act, unless it is alleged that the award was procured through corruption, fraud, or other undue means, in which case the petition must be made within ninety (90) days after the date of knowledge of such circumstances.

c) If the court annuls the award for a reason other than that set forth in subsection (a)(5) of this Section, it may order a new arbitral hearing. If the award is annulled for the reasons set forth in subsection (a)(1) or (2) of this Section, the new hearing shall be held before new arbitrators. If the award is annulled for the reasons set forth in subsections (a)(3), (4), or (6) of this Section, the new hearing may be held, by order of the court, before the arbitrators who rendered the award. By order of the court, the arbitrators shall issue the award, after the new hearing, within the same term provided in Section 2.16(b) of this Act.

d) If the court denies a motion to annul the award, it shall confirm it, unless there is a pending motion to modify or correct the award on other grounds.

Section 1.10.- Modification or Correction of Award.

a) Unless a request has been filed under Section 1.08 of this Act, upon motion made within ninety (90) days of notice of the award; or pursuant to Section 1.07 of this Act, within ninety (90) days from notice of a modified or corrected award, the court may modify or correct the award only if it concludes that:

    1. there was an evident mathematical miscalculation or an evident mistake in the description of a person, thing, or property;
    2. the arbitrators have issued the award to dispose of a matter not submitted in the arbitration and the award may be corrected without affecting the merits of the decision on the controversies properly decided; or
    3. the award does not comply with the required formalities, but the modification or correction does not affect the merits of the award on the controversies decided.

b) If relief is granted under subsection (a) of this Section, the court shall modify or correct the award and confirm it as modified or corrected. If relief is not granted under subsection (a) of this Section, the court shall confirm the award unless a motion to set it aside is pending.

c) A request to modify or correct an award pursuant to this Section may include a request to annul the award.

Section 1.11.- Judgment on Awards; Award of Attorney's Fees and Costs.

a) Upon providing for the confirmation of the award, upon setting aside an award without ordering a new arbitral hearing, or upon modifying or correcting an award, the court shall enter judgment setting forth its disposition. The judgment shall be recorded as judgments are ordinarily recorded and shall be enforceable as any judgment entered in a civil action.

b) The court may award costs and reasonable attorney's fees to the party that has prevailed in obtaining the confirmation, the declaration of nullity, the modification, or the correction of the award.

Section 1.12.- Jurisdiction.

a) The parts of the court having competence over the controversies to be arbitrated shall hear the proceedings related to the implementation of an arbitration agreement.

b) When the arbitration agreement provides that the arbitration shall take place in Puerto Rico, the courts of Puerto Rico shall have exclusive jurisdiction for the judicial enforcement of the awards rendered in the arbitration.

Section 1.13.- Venue.

Venue to hear the proceedings provided in Section 2.02 of this Act shall lie in the Part of the Court of First Instance having competence over the place where the arbitration hearing is to be held, or has been held, as the case may be. In default of the foregoing, the proceedings contemplated in Section 2.02 of this Act shall be heard in the Part having competence over the residence of any of the parties and, in default thereof, in the San Juan Part of the Superior Court.

Thereafter, the matter shall proceed in the same court, unless said court provides otherwise.

Section 1.14.- Review.

Review by certiorari may be sought before the Court of Appeals against an order of the Court of First Instance that:

a) Orders that the matter be submitted to arbitration.

b) Stays the arbitral proceeding.

c) Confirms or denies an award.

d) Modifies or corrects an award.

e) Sets aside an award, or orders a new hearing.

f) Is final pursuant to the provisions of this Act.

The reviews contemplated in this Section shall be channeled through a petition for certiorari, the issuance of which shall be discretionary on the part of the Court of Appeals which, whether or not it decides to issue the writ of certiorari, shall process them expeditiously and shall resolve them, in any case, within six (6) months of filing. Whenever proper in law, the Court of Appeals shall seek that its judgment bring finality to the matter.

Section 1.15.- Interpretation.

Chapters 1, 2 and 3 of this Act, based on a model of uniform legislation, shall be interpreted with attention to the objective of uniformity among the jurisdictions where a similar model has been adopted.

Section 1.16.- Recognition of Electronic Signatures.

The provisions of this Act on the recognition of electronic signatures and records shall be interpreted liberally in favor of the incorporation of technologies into arbitral proceedings, in accordance with the laws governing the matter.

## CHAPTER 2 - ORDINARY ARBITRATION.

Section 2.01.- Arbitration Agreement.

a) Except as provided further on in this Section, the parties to an arbitration agreement may alter the provisions of this Act, or dispense with them, provided they do not contravene other legal precepts of a mandatory nature.

b) Before a controversy arises under the present agreement, the parties may not agree to:

    1. Dispense with, or vary, the provisions of Sections 2.02(a), 2.03(a), 2.06, 2.14(a) and (b), 1.12 or 1.14 of this Act.
    2. Unreasonably restrict the right to notice of the commencement of the arbitral proceeding recognized in Section 2.04 of this Act.
    3. Unreasonably restrict the obligations of the arbitrators to disclose the information required by Section 2.09 of this Act.
    4. Waive the right to representation by counsel.

c) In no case may the parties dispense with, waive, or vary the provisions of the preceding subsection (b), or of Sections 2.05, 2.11, 2.15, 1.07(c) and (d), 1.08, 1.09, 1.10, 1.15 and 1.16 of this Act.

Section 2.02.- Judicial Intervention.

a) Any request for judicial intervention in connection with arbitral proceedings shall be made by motion and shall be heard in the same manner in which motions in civil cases are ordinarily heard, except as provided in Section 1.14(b) of this Act.

b) Unless litigation concerning the arbitration agreement is pending, the motions contemplated in the preceding subsection shall be notified in the manner provided in the Rules of Civil Procedure for the service of summonses. Otherwise, the motions shall be notified in the manner provided by the Rules of Civil Procedure for the notice of motions.

Section 2.03.- Effectiveness of the Arbitration Agreement.

a) A written agreement to submit a present or future controversy to arbitration is valid, enforceable, and irrevocable, except on the grounds provided by law for the nullity of contracts.

b) It shall be for the court to decide whether an arbitration agreement exists or whether a controversy is subject to said agreement, unless the parties agree otherwise expressly, or indirectly by contractually choosing that the proceeding shall be governed by a specific arbitration organization.

c) It shall be for the arbitrators to decide whether the conditions agreed upon to activate the arbitration agreements have been met.

d) When the existence of an arbitration agreement is challenged in court or it is claimed in court that a controversy is not subject to said agreement, the arbitration proceeding regarding such controversy may continue unless the court orders a stay of the proceedings.

Section 2.04.- Commencement of the Arbitration.

a) The arbitration is commenced by written notice to the counterparties to the arbitration agreement in the manner contemplated in the agreement. In the absence of agreement, notice shall be given by certified or registered mail, return receipt requested, or by any other means authorized by the Rules of Civil Procedure for the commencement of a civil action. The notice must describe the nature of the controversy and the remedy sought.

b) Unless the sufficiency of the notice is objected to under Section 2.12(c) of this Act prior to the commencement of the first arbitration hearing, appearance at the hearing, unless it is to object to the sufficiency of the notice, entails the waiver of any objection to the sufficiency of the notice.

Section 2.05.- Motion to Compel Arbitration.

a) Upon motion of any of the parties to an arbitration agreement alleging the refusal of its counterparty to proceed to arbitration:

    1. the court shall order that the arbitration proceed unless the responding party appears to present sufficient opposition;
    2. if the counterparty appears and presents opposition, once the parties are heard, the court shall determine the existence of a valid arbitration agreement.

b) The court shall expeditiously resolve a request alleging that there is a controversy as to the validity of an arbitral proceeding underway or about to commence. If the court finds that a valid arbitration agreement exists, the court shall immediately order that the arbitration proceed.

c) In no case shall the court refuse to order the commencement or continuation of an arbitral proceeding based on its view of the merits of the claim.

d) Once the court before which a civil action is being heard is advised that such action must be submitted for resolution in an arbitral proceeding, the court shall immediately stay the judicial proceeding and shall order arbitration in accordance with the corresponding arbitration agreement, unless the circumstances permit the conclusion that the parties have waived the terms of said agreement by their conduct.

Section 2.06.- Provisional Remedies.

a) Upon request of any of the parties to the arbitration proceeding and upon good cause, a court may issue provisional remedies in accordance with the Rules of Civil Procedure to secure the effectiveness of the arbitration proceedings,

until an arbitral tribunal qualified to act has been appointed and authorized.

b) Once the arbitrators have been appointed and authorized:

   1. they may grant the provisional remedies they deem necessary to protect the effectiveness of the arbitration proceedings and to promote the fair and speedy resolution of the controversy, to the same extent and under the same conditions as permitted by the Rules of Civil Procedure, and
   2. the parties may request a provisional remedy from the court only if the matter is urgent and the arbitrators cannot act in time or cannot provide an adequate measure.

c) The parties do not waive the right to arbitration by filing a motion under subsections (a) or (b) of this Section.

Section 2.07.- Consolidation of Arbitration Proceedings.

a) Except as provided in subsection (c) of this Section, upon motion of one of the parties to an arbitration agreement, the court may order the consolidation of arbitration proceedings as to all or some of the controversies or claims, provided that:

   1. there are separate arbitration agreements, or arbitration proceedings between the same parties, or one of them is a party to a different arbitration agreement or participates in an arbitral proceeding with a third party;
   2. the claims subject to the different arbitration agreements arise substantially from the same transaction or series of transactions;
   3. there is a common question of fact or law that creates the possibility of conflicting awards if each claim is heard separately; and
   4. the prejudice that may result from maintaining the proceedings separate is greater than the delays and complications that consolidation may cause.

b) The court may order consolidation as to some of the claims and deny the consolidation of others.

c) The court may not order the consolidation of claims if the arbitration agreement prohibits it.

Section 2.08.- Appointment of Arbitrators; Neutrality.

a) The arbitrators shall be appointed according to the method previously agreed upon by the parties. In the absence or ineffectiveness of such agreement, or if an agreed arbitrator does not act or is unable to act, the court shall appoint the corresponding arbitrator upon petition of any of the parties. The arbitrators appointed by the court shall have the same powers they would have had if they had been appointed pursuant to the arbitration agreement.

b) No person who has a direct and material interest in the outcome of the arbitration or who has a substantial relationship with a party may serve as arbitrator.

Section 2.09.- Impartiality and the Duty of Arbitrators to Disclose Information.

a) All arbitrators must be impartial.

b) The arbitrators must disclose to the parties and, where applicable, to the other arbitrators, any information that affects, may affect, or may give rise to justifiable doubts as to their impartiality or independence.

c) Before accepting their appointment, the arbitrators must reflect upon their current and past commercial, financial, and personal dealings, as well as review their previous and present social and professional relationships. In doing so, they must exercise the diligence and professional care proper to persons who perform arbitral functions.

d) As part of that exercise, they must disclose the facts and circumstances capable of affecting their impartiality or of producing the appearance of partiality. The information must be communicated to the arbitration organization, if any, so that it may be shared with the parties and the remaining arbitrators. If there is no arbitration organization in charge of the proceeding, it must be communicated directly to the parties and, in the case of a multi-member arbitral tribunal, to the remaining arbitrators.

e) The responsibility to investigate and disclose imposed upon the arbitrators in this Section continues throughout the arbitral proceeding.

f) Based on the information arising from their reflection and investigation, the arbitrators may decline their appointment as such, or may abstain from continuing in the proceeding if they have already accepted the appointment. Likewise, should facts become known that may affect their impartiality, a party that has nominated the arbitrator may refuse to conclude the appointment process already initiated, or may revoke the nomination provided the arbitral proceeding has not commenced.

g) Once the arbitral proceeding has commenced, objections to the subsequent participation of any arbitrator shall be submitted to the arbitral tribunal. The arbitral tribunal shall decide whether the objection has been raised in good faith and whether the removal of the arbitrator is proper. In cases entrusted to a sole arbitrator, the challenge shall be made before that arbitrator, although the arbitrator's decision, if contrary to the challenge, may be brought for review before the court.

h) Once the arbitral tribunal proceeds to disqualify and remove an arbitrator, or, where applicable, the court orders the disqualification or removal, the arbitrator shall be entitled to reasonable compensation for the services rendered. The arbitral tribunal shall fix said compensation and the manner in which it must be paid. Likewise, in consultation with the corresponding arbitration organization, if any, the arbitral tribunal shall appoint a substitute arbitrator, although the parties may decide to continue the arbitral proceeding with the truncated panel. In cases entrusted to a sole arbitrator, if no arbitration organization participates, the court may

appoint the substitute arbitrator, in the absence of agreement between the parties regarding the appointment.

i) If the arbitral tribunal concludes that the challenge of an arbitrator has been made in bad faith or for the purpose of delaying the proceeding, it shall impose the corresponding sanctions. The court or, where applicable, the arbitration organization shall do likewise in cases entrusted to a sole arbitrator.

Section 2.10.- Majority.

If more than one arbitrator participates, the arbitral powers shall be exercised by a majority of them, although all shall conduct the hearing described in Section 2.12(c) of this Act.

Section 2.11.- Immunity of Arbitrators.

a) In the exercise of their arbitral functions, the arbitrators shall enjoy absolute immunity from claims of civil liability.

b) Failure to disclose the information required by Section 2.09 of this Act, the eventual disqualification or removal of the arbitrators, or the fact that the award issued proves impossible to enforce shall not impair the immunity of the arbitrators.

c) Every claim of civil liability against the arbitrators that concludes with a declaration of their immunity shall entail the imposition upon the claimant of the payment of attorney's fees and costs.

d) The absolute immunity of the arbitrators does not extend to arbitration organizations, which shall be liable for damages caused by the willful misperformance of their responsibilities.

Section 2.12.- Arbitration Proceeding.

a) The arbitral tribunal as constituted shall be present at the proceedings.

b) The arbitral tribunal shall administer the arbitration fairly and expeditiously.

c) The parties shall have the opportunity to be heard and to respond to the allegations of their counterparties. The arbitral tribunal may make decisions based on the evidence presented, unless the duly notified parties have not appeared in all or part of the proceeding. The parties' objections to the arbitral tribunal's determinations on procedural matters must be raised timely. In the absence of timely filing, the objection may be deemed waived.

d) Unless the arbitration agreement or the rules of the arbitration organization provide otherwise, the arbitral tribunal shall set the time and place of the hearings, always giving the parties due notice.

e) The arbitral tribunal shall have the power to order recesses and postponements in the proceedings arising throughout the arbitration. The arbitral tribunal shall grant the recesses and postponements requested by the parties provided there is good cause for the request. In granting recesses and postponements, the arbitral tribunal shall take into consideration the time limits set for the conclusion of the arbitration.

f) The arbitral tribunal may hold conferences in advance of the hearing if it deems them useful for decision-making on interlocutory matters.

g) Upon request of a party, the tribunal may dispose of matters summarily provided there is due notice to the responding party and said party has the opportunity to be heard regarding the request.

Section 2.13.- Legal Representation.

Every party to an arbitration proceeding may be represented by counsel if it so wishes.

Section 2.14.- Witnesses; Subpoenas; Depositions; Discovery.

a) The arbitral tribunal shall have the power to issue subpoenas and orders for the purpose of securing the production of the documentary and testimonial evidence necessary in the arbitral proceeding and in the eventual resolution of the controversies submitted to its consideration. The subpoenas and orders of the arbitrators may be directed to the parties participating in the arbitral proceeding and to third persons who are not parties to the proceeding. If a party fails to comply with the provisions of the orders and subpoenas of the arbitrators, the latter may take the measures that a court of justice may take in the same circumstances. If the noncompliance is by a third person who is not a party to the proceeding, the interested party or the arbitrators may request the competent court, by motion, to compel compliance. Orders and subpoenas issued by arbitral tribunals outside of Puerto Rico shall likewise be adopted by the courts of Puerto Rico, always safeguarding the fairness, promptness, and economy of the proceeding.

b) Upon request of a party or of a witness in the arbitral proceeding, the arbitrators may authorize the taking of the witness's deposition and the use of said deposition as evidence at the hearings. The arbitrators shall determine the conditions under which the deposition shall be taken.

c) The arbitrators may permit such discovery as they deem appropriate, taking into account the needs of the parties to the arbitration and of other affected persons, as well as the duty to promote a fair, expeditious, and economical proceeding.

d) The arbitrators may issue protective orders to prevent the disclosure of privileged information, confidential information, trade secrets, and other protected information, as in a civil action heard before the Puerto Rican courts.

Section 2.15.- Finality of Pre-Award Determinations of the Arbitral Tribunal.

When, before the final award is issued, a decision is rendered in favor of a party, said party may request that such decision be made part of an interim award in accordance with Section 2.16 of this Act.

Likewise, the party in whose favor said interim award is rendered may request the court, by motion, to expeditiously issue an order to

confirm said award as provided in Section 1.08 of this Act. The court shall decide expeditiously on said request. Unless there are grounds to annul, modify, or correct the interim award rendered, as provided in Sections 1.09 and 1.10 of this Act, the court shall confirm it and provide for its enforcement.

Section 2.16.- Forms and Issuance of the Award.

a) The arbitral tribunal shall issue the award in writing, signed or authenticated by the arbitrators who agree with the decision. The arbitral tribunal or the arbitration organization shall give notice of the award to each party to the arbitral proceeding.

b) When a monetary claim is decided, the award shall contain a concise breakdown of any sum awarded. In the case of non-monetary controversies, the arbitral tribunal shall include a separate disposition of each controversy resolved that does not involve a monetary claim.

c) The award shall be issued within the term specified by the arbitration agreement, by the corresponding arbitration association, or by the court. The court or the parties may extend the term provided for the issuance of the award either within said term or after it has elapsed. Any objection related to the time in which the award was issued shall be deemed waived if the objecting party does not present its objection to the arbitral tribunal before receiving notice of the award.

Section 2.17.- Remedies, Costs, and Expenses of Arbitral Proceedings.

a) The arbitrators may award costs, expenses, attorney's fees, or other compensatory remedies, provided that the evidence justifies it and such award is authorized by the arbitration agreement or by the Rules of Civil Procedure if the case were heard in court.

b) As to those remedies other than those authorized by subsection (a) of this Section, the arbitrators may order such as they consider just and appropriate under the circumstances of the case. The fact that such remedies could not be granted by a court is not grounds to deny confirmation of the award under Section 1.08 of this Act or to annul the award under Section 1.09 of this Act.

c) The expenses and fees of the arbitrators, together with other expenses proper to the arbitral proceeding, shall be paid as provided in the award.

d) The arbitrators may not award punitive damages, unless such award is expressly recognized by law. In cases in which their award is permitted by law, the award shall separately specify the amount granted for that item, as well as its legal grounds.

## CHAPTER 3 - EXPEDITED ARBITRAL PROCEEDING.

Section 3.01.- Agreement of the Parties.

Before a dispute arises or after it has arisen, the parties to any contractual relationship may agree that the disputes arising from said relationship be heard in expedited arbitration in accordance with the terms of this Chapter.

Section 3.02.- Commencement of the Expedited Arbitral Proceeding.

a) Any of the parties shall commence the arbitral proceeding by notice to the counterparties.

b) Notice to the counterparties shall be made effective in the same manner as the Rules of Civil Procedure provide for the effectiveness of the service of summonses.

Section 3.03.- The Arbitration Demand.

a) The arbitration demand shall always be made in writing and must contain or attach, at a minimum, the following:

    1. The name, address, telephone, and electronic mail of the parties;
    2. A brief description of the dispute;
    3. The remedy sought;
    4. A copy of the agreement or other document on which the jurisdiction of the arbitral tribunal under this Chapter would be based;
    5. Whether it is desired that the arbitral proceeding be based solely on documents or whether a hearing is also desired;
    6. Whether a fully reasoned award is desired or whether only a dispositive award is to be rendered.

Section 3.04.- Answer.

a) Within a term of not more than ten (10) days from its receipt, the responding party must submit its answer to the arbitration demand.

b) The answer must be made in writing and must address the correctness or incorrectness of the averments contained in the demand.

c) The answer must include a description of the controversy if there are differences with respect to the description presented with the demand.

d) Likewise, the answer must state the position of the responding party as to subsections (a)(5) and (a)(6) of Section 3.03 of this Act.

Section 3.05.- Appointment of the Arbitrator.

a) Within ten (10) days following the filing of the answer, the parties shall appoint the arbitrator by mutual agreement.

b) If said appointment is not made within said term, any of the parties may request the court, by motion, to proceed with the appointment. The motion shall be accompanied by the corresponding documentation and, in any

case, by a list of the persons submitted by said party to serve as arbitrator within the term provided in subsection (a) of this Section, together with the credentials of said candidates. In no case may it submit additional candidates to the court.

c) Once said motion is filed with the court, the responding party shall have ten (10) days, which may not be extended, to appear and submit its own candidates, likewise including credentials.

d) Within a term of fifteen (15) days, the court shall appoint the arbitrator, solely from among the candidates that the parties have previously submitted for consideration pursuant to the process required in subsection (a) of this Section.

Section 3.06.- Arbitrators' Fees.

a) Unless the parties agree otherwise,

    1. The fees to be received by the arbitrators shall vary depending on the following factors:

        i. Whether a fully reasoned award or only a dispositive award is to be rendered;

        ii. Whether it is an arbitral proceeding that will require a hearing, or whether it will proceed solely on the basis of written submissions.

b) For each case, the Secretary of Justice shall set from time to time the corresponding fee schedule. The fees shall be deposited together with the appointment of the arbitrator, with the depositary selected by the parties by mutual agreement or, in default of agreement, shall be deposited in the court, by means of the corresponding motion. The court may compel the deposit of the fees if the parties do not make it.

c) Until the Secretary of Justice provides otherwise, the fee amounts provided shall be adjusted annually, without further legislative or regulatory action, in accordance with the rates of inflation or deflation for the consumer price index recognized by the Secretary of Economic Development and Commerce.

Section 3.07.- Initial Meeting.

a) In agreement with the parties, the arbitrator shall set the date and time of an initial meeting with said parties within five (5) days from the arbitrator's appointment. If no agreement can be reached in that regard, the arbitrator shall set the time at which the initial meeting shall take place.

b) The initial meeting may be held, at the discretion of the arbitrator, by telephone, videoconference, or on a virtual platform.

c) At the initial meeting, the following matters shall be addressed:

1. The procedure to be followed in the arbitration, including whether a hearing is to be held or whether the proceeding shall be based solely on written submissions;
2. The form of the award; whether it is to be fully reasoned or shall be only dispositive;
3. Whether a mediation process is to be conducted before proceeding with the arbitration;
4. In the event a hearing is decided upon, whether a record is to be kept, at the parties' expense;
5. Clarifications regarding the matters to be submitted to the decision of the arbitrator;
6. Setting of a work schedule, based on the provisions of this Chapter.

d) Within five (5) days following the initial hearing, the arbitrator shall send the parties the work schedule for their review and approval. The schedule shall include a list of the matters that shall be submitted to the decision of the arbitrator. Within ten (10) days following the sending of the work schedule, the parties shall confirm to the arbitrator their agreement with said schedule or their objections to its terms, to the extent they do not conform to the agreements reached at the initial hearing.

e) Once ten (10) days have elapsed from the sending of the work schedule to the parties, if the arbitrator receives objections to its content, the arbitrator shall set the final schedule within the following ten (10) days.

Section 3.08.- Arbitral Proceedings Based on Written Submissions.

a) Within twenty (20) days following the setting of the work schedule by the arbitrator, the moving party shall submit to the arbitrator and to the parties:

1. A memorandum explaining the moving party's position with respect to the matters to be decided by the arbitrator, as set forth in the work schedule. The memorandum shall have a maximum length of twenty (20) pages in the same format required for the arbitration demand in Section 2.03(a)(2) of this Act;
2. The documentary evidence on which the moving party intends to rest its case. Excerpts of documents may be submitted. A series of related documents, such as a series of electronic mail messages, may be presented as a single document; and
3. A brief list of the five (5) principal legal authorities on which the moving party rests its claim.

b) Within fifteen (15) days following the submission of the moving party's memorandum, the respondent party shall submit its own with the same content.

c) Once the respondent party's memorandum has been submitted, the parties may submit reply memoranda, in successive terms of five (5) days. No further written submissions may be filed.

Section 3.09.- Arbitral Proceedings by Oral Hearing.

a) Upon request of any party, an oral hearing shall be held. Such request must be made in the arbitration demand or in the answer. If the parties fail to comply with this requirement, their right to a hearing shall be deemed waived.

b) The oral hearing shall take place within ninety (90) days following the initial meeting.

c) Forty (40) days prior to the hearing, the moving party shall submit to the parties and to the arbitrator:

    1. The materials required in Section 3.08(a) of this Act;
    2. Evidentiary affidavits.

d) Twenty (20) days prior to the hearing, the respondent party shall submit to the parties and to the arbitrator the materials required in Section 3.09(b) of this Act.

e) Once the respondent party's materials have been submitted, the parties may submit reply briefs, in successive terms of five (5) days. All written submissions must have been submitted ten (10) days before the hearing is held.

f) It is expected that this hearing shall require no more than one (1) day.

Section 3.10.- Other Procedural Rules.

a) A party wishing oral or documentary discovery shall have to demonstrate the existence of good cause.

b) The submission of expert reports or other expert evidence shall not be permitted.

c) Preliminary motions shall not be permitted, except those seeking the extension of the terms provided in this Chapter due to extraordinary and unforeseen circumstances. Conflicting professional commitments of the parties' attorneys shall not be considered such circumstances.

d) The arbitrator shall enforce the terms provided in this Chapter for the course of the proceedings.

Section 3.11.- Hearings on a Digital Platform.

In consultation with the parties, the arbitrator may choose to have the hearing held on a digital platform, provided it is reasonable within the parties' capabilities and the privacy of the proceeding is protected.

Section 3.12.- Admissibility of Evidence.

All relevant information is admissible at the hearing and need not be presented in accordance with the Rules of Evidence for the General Court of Justice.

Section 3.13.- Noncompliance with the Provisions of this Chapter.

a) The arbitrator shall have the authority to impose such sanctions as the arbitrator deems adequate for the significant noncompliance of any of the parties with the provisions of this Chapter or with the arbitrator's orders. The sanctions may include the issuance of an award by default.

b) Upon the significant noncompliance of a party, the arbitrator shall admonish the party to comply and shall grant a term for that purpose, before considering proceeding by default.

c) An award by default must, in any case, be based on the evidence.

Section 3.14.- Interest and Costs.

a) The award may grant interest and may determine the date from which said interest is to be computed.

b) The award may fix responsibility for the costs of the arbitral proceeding and may allocate said costs among the parties as it deems appropriate in light of the parties' conduct in the proceeding.

c) Legal expenses shall in all cases be the responsibility of each party.

Section 3.15.- Issuance of the Award.

a) The award shall be binding upon the parties, who must abide by its provisions in good faith.

b) The award shall be final and unappealable, except on the grounds provided by law.

c) Noncompliance with the terms set in this Chapter shall not be grounds to contest the effectiveness of the award.

d) The award shall not be delivered to the parties until the arbitrators' fees have been duly paid.

e) The award shall be issued, in any case, within fifteen (15) days following the controversy being submitted for decision, although the arbitrator does not lose jurisdiction by the lapse of this term.

Section 3.16.- Amendments.

a) Upon petition of a party or on the arbitrator's own initiative, the arbitrator may correct typographical errors in the award, other errors or omissions of a similar nature, or arithmetical errors in the computations.

b) The parties shall present to the arbitrator any request for amendment of the award under this Section within five (5) days of the issuance of the award. Once five (5) days have elapsed from the filing of said request, it shall be deemed denied.

Section 3.17.- Confidentiality.

a) The arbitral proceeding under this Chapter shall be private and confidential.

b) No person may be present at a hearing, except with the consent of the parties.

Section 3.18.- Supplementary Law.

The provisions of Chapters 1 and 2 of this Act shall be supplementary to the arbitral proceedings conducted as provided in this Chapter 3, insofar as they are not incompatible with the precepts thereof.

CHAPTER 4 - International Commercial Arbitration.

Section 4.01.- Scope of application.

(a) This Chapter shall apply to international commercial arbitration, without prejudice to any multilateral or bilateral treaty in force between the United States of America and any other country or countries.

(b) The provisions of this Chapter, with the exception of Sections 4.08, 4.09, 4.25, 4.26, 4.27, 4.45 and 4.46 of this Act, shall apply only if the place of arbitration is located in the territory of Puerto Rico.

(c) An arbitration is international if:

(1) at the time of the conclusion of that agreement, the parties to an arbitration agreement have their places of business in different countries, or

(2) one of the following places is situated outside the country in which the parties have their places of business:

(i) the place of arbitration, if determined in, or pursuant to, the arbitration agreement;

(ii) the place where a substantial part of the obligations of the commercial relationship is to be performed or the place with which the subject matter of the dispute is most closely connected; or

(3) the parties have expressly agreed that the subject matter of the arbitration agreement relates to more than one country.

(d) For the purposes of the preceding subsection:

(1) if any of the parties has more than one place of business, the place of business shall be that which has the closest relationship to the arbitration agreement;

(2) if a party does not have a place of business, reference shall be made to its habitual residence.

Section 4.02.- Rules of interpretation.

(a) With the exception of Section 4.38 of this Act, when a provision of this Chapter leaves the parties free to determine a certain issue, such freedom includes the right of the parties to authorize a third party, including an arbitration organization, to make that determination.

(b) When a provision of this Chapter refers to an agreement that the parties have concluded, may conclude, or to any other agreement between the parties, such agreement shall be understood to include all provisions of the arbitration rules referred to therein.

(c) With the exception of Sections 4.35(a) and 4.42(b)(1) of this Act, when a provision of this Chapter refers to a claim, it shall also apply to a counterclaim; and when it refers to an answer, it shall likewise apply to the answer to that counterclaim.

Section 4.03.- International origin and general principles.

(a) In the interpretation of this Chapter, regard shall be had to its international origin and to the need to promote uniformity in its application and the observance of good faith.

(b) Questions concerning matters governed by this Chapter which are not expressly regulated herein shall be settled in conformity with the general principles on which it is based. The provisions of Chapters 1 and 2 of this Act shall apply only when expressly so provided in this Chapter.

Section 4.04.- Receipt of written communications.

(a) Unless otherwise agreed by the parties:

(1) any written communication shall be deemed received if it has been delivered to the addressee personally or if it has been delivered at the addressee's place of business, habitual residence, or mailing address. If, after reasonable inquiry, none of these places can be found, a written communication shall be deemed received if it has been sent to the addressee's last known place of business, habitual residence, or mailing address by certified or registered mail or any other means that provides a record of the attempt to deliver it;

(2) the communication shall be deemed received on the day it was delivered.

(b) The provisions of this Section shall not apply to communications in proceedings before a court.

Section 4.05.- Waiver of the right to object.

A party who proceeds with the arbitration knowing that any provision of this Chapter from which the parties may derogate, or any requirement under the arbitration agreement, has not been complied with, and does not state its objection to such noncompliance with justified delay or, if a time limit is provided therefor, within such period of time, shall be deemed to have waived its right to object.

Section 4.06.- Extent of court intervention.

The courts shall not intervene in matters governed by this Chapter except where expressly so provided.

Section 4.07.- Court or other authority for certain functions of arbitration assistance and supervision.

The functions referred to in Sections 4.44 and 4.45 of this Act shall be performed initially by the Court of Appeals. The functions referred to in the other Sections of this Chapter shall be performed by the Court of First Instance.

Section 4.08.- Arbitration agreement and substantive claim before a court.

(a) A court before which an action is brought in a matter which is the subject of an arbitration agreement shall refer the controversy to arbitration if a party so requests. The request must be made in the first written submission filed. The court may retain jurisdiction over the case if it finds that said agreement is null, inoperative, or incapable of being performed.

(b) Where an action referred to in this Section has been brought, arbitral proceedings may nevertheless be commenced or continued, and an award may be made, while the issue is pending before the court, unless the court orders a stay thereof.

Section 4.09.- Arbitration agreement and adoption of provisional remedies by the court.

It is not incompatible with an arbitration agreement for a party to request from a court, before or during arbitral proceedings, the adoption of provisional remedies, nor for the court to grant them.

Section 4.10.- Number of arbitrators.

The parties are free to determine the number of arbitrators. Failing such agreement, the number of arbitrators shall be three.

Section 4.11.- Appointment of arbitrators.

(a) Unless otherwise agreed by the parties, no person shall be precluded by reason of that person's nationality from acting as an arbitrator.

(b) Without prejudice to the provisions of subsections (d) and (e) of this Section, the parties are free to agree on a procedure for appointing the arbitrator or arbitrators.

(c) Failing such agreement:

(1) in an arbitration with three arbitrators, each party shall appoint one arbitrator, and the two arbitrators thus appointed shall appoint the third. If a party fails to appoint the arbitrator within thirty (30) days of receipt of a request to do so from the other party, or if the two arbitrators fail to agree on the third arbitrator within thirty (30) days counted from

the date of their appointments, the appointment shall be made, upon request of a party, by the court, pursuant to Section 4.07 of this Act;

(2) in an arbitration with a sole arbitrator, if the parties are unable to agree on the arbitrator's appointment, the court shall appoint the arbitrator upon request of either party, pursuant to Section 4.07 of this Act.

(d) Where, under an appointment procedure agreed upon by the parties:

(1) a party fails to act as required under such procedure; or

(2) the parties, or two arbitrators, are unable to reach an agreement under such procedure; or

(3) a third party, including an arbitration organization, fails to perform any function entrusted to it under such procedure.

Any party may request the court, pursuant to Section 4.07 of this Act, to take the necessary measure, unless the agreed appointment procedure provides other means for securing the appointment.

(e) The decisions referred to in subsections (c) or (d) of this Section shall be reviewable to the extent that the arbitral tribunal has incurred an abuse of its discretion. In appointing an arbitrator, the court shall have due regard to any qualifications required of the arbitrator by the agreement of the parties, and shall take such measures as are necessary to secure the appointment of an independent and impartial arbitrator. In the case of a sole or third arbitrator, it shall also take into account the advisability of appointing an arbitrator of a nationality other than those of the parties.

Section 4.12.- Grounds for challenge.

(a) When a person is approached in connection with his or her possible appointment as an arbitrator, that person shall disclose any circumstances likely to give rise to justifiable doubts as to his or her impartiality or independence, in accordance with Section 2.09 of this Act. An arbitrator, from the time of his or her appointment and throughout the arbitral proceedings, shall without delay disclose any such circumstances to the parties, unless they have already been informed of them.

(b) An arbitrator may be challenged only if circumstances exist that give rise to justifiable doubts as to his or her impartiality or independence, or if he or she does not possess the qualifications agreed to by the parties. A party may challenge an arbitrator appointed by it, or in whose appointment it has participated, only for reasons of which it becomes aware after the appointment has been made.

Section 4.13.- Challenge procedure.

(a) Without prejudice to the provisions of subsection (c) of this Section, the parties are free to agree on a procedure for challenging an arbitrator.

(b) Failing such agreement, a party who intends to challenge an arbitrator shall send to the arbitral tribunal a written statement of the reasons for the challenge, within fifteen (15) days after becoming aware of the constitution of the arbitral tribunal or of any of the circumstances referred to in Section 4.12 of this Act. Unless the challenged arbitrator withdraws from office or the other party agrees to the challenge, it shall be for the arbitral tribunal to decide whether or not the challenge is proper.

(c) If a challenge brought under the procedure agreed upon by the parties or under the terms of this Section is not successful, the challenging party may, within thirty (30) days following receipt of notice of the decision rejecting the challenge, request the court, pursuant to Section 4.07 of this Act, to decide on the merits of the challenge. While such a request is pending, the arbitral tribunal, including the challenged arbitrator, may continue the arbitral proceedings and make an award, unless the court orders a stay thereof.

(d) The determination referred to in the preceding subsection shall be reviewable by a higher forum to the extent that the court has incurred an abuse of its discretion.

Section 4.14.- Failure or impossibility to act.

(a) When an arbitrator becomes de jure or de facto unable to perform his or her functions or for other reasons fails to act within a reasonable time, his or her mandate terminates if he or she withdraws from office or if the parties agree on his or her removal. Otherwise, if a disagreement remains concerning any of these grounds, any party may request the court, pursuant to Section 4.07 of this Act, to decide on the termination of the mandate. Said decision shall be reviewable by a higher forum to the extent that the court has incurred an abuse of its discretion.

(b) If, under this Section or Section 4.13(b) of this Act, an arbitrator withdraws from office or a party agrees to the termination of the mandate of an arbitrator, this shall not be deemed an acceptance of the validity of any ground referred to in this Section or in Section 4.12(b) of this Act.

Section 4.15.- Appointment of a substitute arbitrator.

Where the mandate of an arbitrator terminates under Sections 4.13 or 4.14 of this Act, or in cases of withdrawal from office for any other reason or of removal by agreement of the parties or of the expiration of the mandate for any other cause, a substitute arbitrator shall be appointed according to the same procedure under which the arbitrator being replaced was appointed.

Section 4.16.- Competence of the arbitral tribunal to rule on its jurisdiction.

(a) The arbitral tribunal shall be empowered to rule on its own jurisdiction. Likewise, it shall address any objection with respect to the existence or validity of the arbitration agreement. For that purpose, an arbitration clause that forms part of a contract shall be treated as an agreement independent of the other terms of the contract. A decision by the arbitral tribunal that the contract is null shall not entail ipso jure the nullity of the arbitration clause.

(b) An objection that the arbitral tribunal lacks jurisdiction shall be raised not later than the time the answer is filed. The fact that the parties have appointed an arbitrator or participated in the appointment thereof shall not preclude objecting to the jurisdiction of the arbitral tribunal. When the objection is based on the arbitral tribunal having exceeded its powers, the objection shall be raised as soon as the arbitral proceedings allegedly exceeding its mandate arise. In either case, the arbitral tribunal may admit an objection of this kind at any stage of the proceeding if it considers that there is good cause for the delay.

(c) The arbitral tribunal may address the allegations described in the preceding subsection before or at the time of issuing the award. If the arbitral tribunal rules that it has jurisdiction before the issuance of the award, any of the parties, within thirty (30) days following receipt of notice of that decision, may request the court, pursuant to Section 4.07 of this Act, to review the decision. The court shall address the request expeditiously. The pendency of said request shall not interrupt the proceeding before the arbitral tribunal unless the court deems the interruption necessary.

(d) The ruling referred to in the preceding subsection shall be reviewable by a higher forum to the extent that there has been an abuse of discretion. Said review shall be addressed expeditiously and its pendency likewise shall not interrupt the proceeding before the arbitral tribunal unless the appellate forum deems the interruption necessary.

Section 4.17.- Power of arbitral tribunal to grant provisional remedies.

(a) Unless otherwise agreed by the parties, the arbitral tribunal may, at the request of a party, grant provisional remedies.

(b) A provisional remedy shall be understood as any temporary measure, whether or not in the form of an award, by which, at any time prior to the issuance of the award by which the controversy is finally decided, the arbitral tribunal orders a party to:

(1) maintain or restore the status quo pending determination of the controversy;

(2) take measures to prevent current or imminent harm or prejudice to the arbitral proceeding, or refrain from taking certain acts that are likely to cause such harm or prejudice to the arbitral proceeding;

(3) provide a means of preserving assets out of which a subsequent award may be satisfied; or

(4) preserve evidence that may be relevant and material to the resolution of the controversy.

Section 4.18.- Conditions for granting provisional remedies.

(a) The party requesting a provisional remedy under subsections (1)-(3) of Section 4.17(b) of this Act shall satisfy the arbitral tribunal that:

(1) if the remedy is not granted, harm not adequately reparable by an award of damages is likely to result, and such harm substantially outweighs the harm that is likely to result to the party affected by the remedy if it is granted; and

(2) there is a reasonable possibility that the requesting party will succeed on the merits of the claim. The determination of the arbitral tribunal on this possibility shall not affect in any way any subsequent determination that said tribunal may make.

(b) With regard to any request for a provisional remedy filed under Section 4.17(b)(4) of this Act, the requirements set forth in the preceding subsection shall apply only to the extent the arbitral tribunal considers them appropriate.

Section 4.19.- Application for a preliminary order and conditions for granting it.

(a) Unless otherwise agreed by the parties, any party may, without notice to any other party, request a provisional remedy together with an application for a preliminary order of the arbitral tribunal directing a party not to frustrate the purpose of the remedy requested.

(b) The arbitral tribunal may issue a preliminary order provided it considers that prior notice of the request for a provisional remedy to the party against whom it is directed risks frustrating the remedy requested.

(c) The conditions defined in Section 4.18 of this Act shall apply to any preliminary order, provided that the harm to be assessed under Section 4.18(a)(1) of this Act is the harm likely to result from the order being issued or not.

Section 4.20.- Specific regime for preliminary orders.

(a) Immediately after having ruled on the propriety of an application for a preliminary order, the arbitral tribunal shall notify all parties of the request for a provisional remedy, the application for a preliminary order, the preliminary order itself, if granted, and all other communications in that regard, including by indicating the

content of any oral communication, between any party and the arbitral tribunal in relation thereto.

(b) At the same time, the arbitral tribunal shall give the party against whom the preliminary order is directed an opportunity to present its case at the earliest practicable time.

(c) The arbitral tribunal shall promptly rule on any objection raised against the preliminary order.

(d) Every preliminary order shall expire after twenty (20) days, counted from the date on which it was issued by the arbitral tribunal. However, the arbitral tribunal may grant a provisional remedy adopting or modifying the preliminary order, after the party against whom the preliminary order is directed has been given notice and an opportunity to present its case.

(e) A preliminary order shall be binding on the parties, but shall not in itself be subject to judicial enforcement. Said preliminary order shall not constitute an award.

Section 4.21.- Modification, suspension, revocation.

The arbitral tribunal may modify, suspend, or revoke any provisional remedy or preliminary order it has granted, either upon application of any of the parties or, in exceptional circumstances, on its own initiative, upon prior notice to the parties.

Section 4.22.- Provision of security by the arbitral tribunal.

(a) The arbitral tribunal may require the party requesting a provisional remedy to provide appropriate security in connection with the remedy.

(b) The arbitral tribunal shall require the party applying for a preliminary order to provide security in connection with the order unless said tribunal considers it inappropriate or unnecessary.

Section 4.23.- Disclosure of information.

(a) The arbitral tribunal may require any party to promptly disclose any material change in the circumstances on the basis of which the provisional remedy was requested or granted.

(b) The party applying for a preliminary order shall disclose to the arbitral tribunal all circumstances that are likely to be relevant to the arbitral tribunal's determination whether to grant or maintain the order, and such obligation shall continue until the party against whom the order has been requested has had an opportunity to present its case. Thereafter, the preceding subsection shall apply.

Section 4.24.- Costs and damages.

The party requesting a provisional remedy or applying for a preliminary order shall be liable for any costs and damages caused by said remedy or order

to any party if the arbitral tribunal later determines that, in the circumstances of the case, the remedy or the order should not have been granted. The arbitral tribunal may award such costs and damages against said party at any point during the proceedings.

Section 4.25.- Recognition and enforcement.

(a) Every provisional remedy ordered by an arbitral tribunal shall be recognized as binding and, unless otherwise provided by the arbitral tribunal, shall be enforced upon application for such enforcement to the competent court, irrespective of the country in which it was ordered, subject to the provisions of Section 4.26 of this Act.

(b) The party who is seeking or has obtained recognition or enforcement of a provisional remedy shall promptly inform the arbitral tribunal of any revocation, suspension, or modification ordered with respect to said remedy.

(c) The court before which recognition or enforcement of a provisional remedy is sought may, if it considers it proper, require the requesting party to provide appropriate security, if the arbitral tribunal has not yet ruled on such security or where such security is necessary to protect the rights of third parties.

Section 4.26.- Grounds for refusing recognition or enforcement.

(a) Recognition or enforcement of a provisional remedy may be refused only:

(1) if, acting at the request of the party affected by the remedy, the court is satisfied that:

(i) such refusal is warranted on any of the grounds set forth in Section 4.46(a)(1)(i)-(iv) of this Act;

(ii) the decision of the arbitral tribunal with respect to the provision of the security corresponding to the remedy granted by the arbitral tribunal has not been complied with; or

(iii) the remedy has been revoked or suspended by the arbitral tribunal or, where so empowered, by a court of the country in which the arbitration proceeding takes place or under the law of which said remedy was granted; or

(2) if the court finds that:

(i) the remedy is incompatible with the powers conferred upon it, unless said court decides to reformulate it to the extent necessary to adapt it to its own powers and procedures for the purpose of enforcing it without modifying its substance; or else that

(ii) any of the grounds for refusal set forth in Section 4.46(a)(2)(i) and (ii) of this Act applies to the recognition or enforcement of the remedy.

(b) Any determination made by the court on any ground set forth in the preceding subsection shall be effective only for the purposes of the application for recognition and enforcement of the provisional remedy. The court from which recognition or enforcement is sought shall not, in the performance of that task, undertake a review of the substance of the remedy.

Section 4.27.- Provisional remedies ordered by the court.

The court shall have the same power to issue provisional remedies in relation to arbitral proceedings as it enjoys in relation to its judicial proceedings, irrespective of whether such proceedings take place in the country of its jurisdiction. The court shall exercise said power in accordance with its own procedures and taking into account the distinctive features of an international arbitration.

Section 4.28.- Equal treatment of the parties.

The parties shall be treated with equality and each party shall be given a full opportunity to present its case.

Section 4.29.- Determination of the procedure.

(a) Subject to the provisions of this Chapter, the parties shall be free to agree on the procedure to be followed by the arbitral tribunal in conducting the proceedings.

(b) Failing such agreement, the arbitral tribunal may, subject to the provisions of this Chapter, conduct the arbitration in such manner as it considers appropriate. This power conferred upon the arbitral tribunal includes the power to determine the admissibility, relevance, and weight of any evidence.

Section 4.30.- Place of arbitration.

(a) The parties are free to determine the place of arbitration. Failing agreement in that regard, the arbitral tribunal shall determine the place of arbitration, having regard to the circumstances of the case, including the convenience of the parties.

(b) Notwithstanding the provisions of the preceding paragraph, the arbitral tribunal may, unless otherwise agreed by the parties, meet at any place it considers appropriate for consultation among its members, for hearing witnesses, experts, or the parties, or for inspection of goods, other property, or documents.

Section 4.31.- Commencement of arbitral proceedings.

Unless otherwise agreed by the parties, the arbitral proceedings in respect of a particular controversy shall commence on the date on which the respondent receives the request for that controversy to be submitted to arbitration.

Section 4.32.- Language.

(a) The parties are free to agree on the language or languages to be used in the arbitral proceedings. Failing such agreement, the arbitral tribunal shall determine the language or languages to be used in the proceedings. This agreement or determination, unless otherwise specified therein, shall apply to all written submissions by the parties, to all hearings, and to any award, decision, or other communication issued by the arbitral tribunal.

(b) The arbitral tribunal may order that any documentary evidence be accompanied by a translation into the language or languages agreed upon by the parties or determined by the arbitral tribunal.

Section 4.33.- Claim and answer.

(a) Within the period of time agreed by the parties or determined by the arbitral tribunal, the claimant shall state the facts supporting its claim, the points at issue, and the relief or remedy sought, and the respondent shall respond to the particulars set forth in the claim, unless the parties have otherwise agreed as to the required elements that the claim and the answer must contain. The parties may, in making their allegations, submit all documents they consider to be relevant or may add a reference to the documents or other evidence they will submit.

(b) Unless otherwise agreed by the parties, in the course of the arbitral proceedings, either party may amend or supplement its claim or answer, unless the arbitral tribunal considers such alteration improper, having regard to the delay in making it.

Section 4.34.- Hearings and written proceedings.

(a) Unless otherwise agreed by the parties, the arbitral tribunal shall decide whether to hold hearings for the presentation of evidence or for oral argument, or whether the proceedings shall be conducted on the basis of documents and other materials. However, unless the parties have agreed that no hearings shall be held, the arbitral tribunal shall hold such hearings at an appropriate stage of the proceedings, if so requested by a party.

(b) The parties shall be given sufficient advance notice of any hearing and of any meeting of the arbitral tribunal for the purposes of inspection of goods, other property, or documents.

(c) All statements, documents, or other information supplied to the arbitral tribunal by one party shall be communicated to the other party. Likewise, any expert reports or evidentiary documents on which the arbitral tribunal may rely in making its decision shall be made available to both parties.

Section 4.35.- Default of a party.

(a) Unless otherwise agreed by the parties, if, without showing sufficient cause:

(1) the claimant fails to submit its claim in accordance with Section 4.33(a) of this Act, the arbitral tribunal shall terminate the proceedings;

(2) the respondent fails to submit its answer in accordance with Section 4.33(a) of this Act, the arbitral tribunal shall continue the proceedings, without treating such failure in itself as an admission of the claimant's allegations;

(3) any party fails to appear at a hearing or to produce documentary evidence, the arbitral tribunal may continue the proceedings and make the award on the evidence before it.

Section 4.36.- Expert appointed by the arbitral tribunal.

(a) Unless otherwise agreed by the parties, the arbitral tribunal:

(1) may appoint one or more experts to report to it on specific issues to be determined by the arbitral tribunal;

(2) may require any of the parties to give the expert any relevant information or to produce, or to provide access to, any relevant documents, goods, or other property for the expert's inspection.

(b) Unless otherwise agreed by the parties, if a party so requests or if the arbitral tribunal considers it necessary, the expert shall, after delivery of his or her written or oral report, participate in a hearing where the parties have the opportunity to put questions to the expert and to present expert witnesses in order to testify on the points at issue.

Section 4.37.- Court assistance in the subpoena of third parties.

The arbitral tribunal or any of the parties, with the approval of the arbitral tribunal, may request assistance from the competent court to direct subpoenas and orders to third persons who are not parties to the arbitral proceeding. If the third person fails to comply, the interested party or the arbitrators may request the court, by motion, to compel compliance.

Orders and subpoenas issued by arbitral tribunals outside of Puerto Rico shall likewise be adopted by the courts of Puerto Rico, always safeguarding the fairness, promptness, and economy of the proceeding.

Section 4.38.- Rules applicable to the merits or basis of the dispute.

(a) The arbitral tribunal shall decide the dispute in accordance with such rules of law as are chosen by the parties as applicable to the merits or basis of the dispute. Any designation of the law or legal system of a given state or country shall be construed, unless otherwise expressed, as directly referring to the substantive law of that state or country and not to its conflict of laws rules.

(b) If the parties do not designate the applicable law, the arbitral tribunal shall apply the law determined by the conflict of laws rules which it considers applicable.

(c) The arbitral tribunal shall decide ex aequo et bono or as amiable compositor only if the parties have expressly authorized it to do so.

(d) In all cases, the arbitral tribunal shall decide in accordance with the terms of the contract and shall take into account the trade usages applicable to the case.

Section 4.39.- Decision-making when there is more than one arbitrator.

Any decision of an arbitral tribunal with more than one arbitrator shall be made, unless otherwise agreed by the parties, by a majority vote of all its members. However, a presiding arbitrator may decide questions of procedure, if so authorized by the parties or by all members of the arbitral tribunal.

Section 4.40.- Settlement.

(a) If, during the arbitral proceedings, the parties reach a settlement that resolves the dispute, the arbitral tribunal shall terminate the proceedings and, if requested by both parties and not objected to by the arbitral tribunal, shall record the settlement in the form of an arbitral award on the terms agreed by the parties.

(b) The award on agreed terms shall be made in accordance with the provisions of Section 4.41 of this Act and shall state that it is an award. This award has the same status and effect as any other award on the merits or basis of the dispute.

Section 4.41.- Form and content of the award.

(a) The award shall be made in writing and shall be signed by the arbitrator or arbitrators. In arbitral proceedings with more than one arbitrator, the signatures of the majority of the members of the arbitral tribunal shall suffice, provided that the reason for any omitted signature or signatures is stated.

(b) The award of the arbitral tribunal shall state the grounds or reasons upon which it is based, unless the parties have agreed otherwise or it is an award resulting from a settlement, pursuant to Section 4.40 of this Act.

(c) The award shall state its date and the place of arbitration as determined in accordance with Section 4.30(a) of this Act. The award shall be deemed to have been made at that place.

(d) After the award is made, the arbitral tribunal shall notify it to each of the parties by delivery of a copy signed by the arbitrators in accordance with subsection (a) of this Section.

Section 4.42.- Termination of proceedings.

(a) The arbitral proceedings are terminated by the final award or by an order of the arbitral tribunal issued in accordance with subsection (b) of this Section.

(b) The arbitral tribunal shall issue an order for the termination of the arbitral proceedings when:

(1) the claimant withdraws its claim, unless the respondent objects thereto and the arbitral tribunal recognizes a legitimate interest on its part in obtaining a final settlement of the dispute; or

(2) the parties agree on the termination of the proceedings; or

(3) the arbitral tribunal finds that the continuation of the proceedings would be unnecessary or impossible.

(c) The mandate of the arbitral tribunal terminates with the termination of the arbitral proceedings, subject to the provisions of Sections 4.43 and 4.44(d) of this Act.

Section 4.43.- Correction and interpretation of the award and additional award.

(a) Within thirty (30) days of receipt of the award, unless another period of time has been agreed upon by the parties:

(1) any of the parties, with notice to the other, may request the arbitral tribunal to correct in the award any errors in computation, any clerical or typographical errors, or any other errors of a similar nature;

(2) if so agreed by the parties, any of them, with notice to the other, may request the arbitral tribunal to give an interpretation of a specific point or part of the award.

If the arbitral tribunal considers the request to be justified, it shall make the correction or give the interpretation within thirty (30) days of receipt of the request. The interpretation shall form part of the award.

(b) The arbitral tribunal may correct any error of the type referred to in subsection (a)(1) of this Section on its own initiative within thirty (30) days of the date of the award.

(c) Unless otherwise agreed by the parties, within thirty (30) days of receipt of the award, any of the parties, with notice to the other, may request the arbitral tribunal to make an additional award as to claims presented in the arbitral proceedings but omitted from the award. If the arbitral tribunal considers the request to be justified, it shall make the additional award within sixty (60) days.

(d) The arbitral tribunal may extend, if necessary, the period of time within which it shall make a correction, give an interpretation, or make an additional award under subsections (a) or (c) of this Section.

(e) The provisions of Section 4.41 of this Act shall apply to corrections or interpretations of the award or to additional awards.

Section 4.44.- Application for annulment as the exclusive recourse against an arbitral award.

(a) Recourse to a court against an arbitral award may be made only by an application for annulment in accordance with subsections (b) and (c) of this Section.

(b) An arbitral award may be annulled by the court specified in Section 4.07 of this Act only when:

(1) the petitioning party proves:

(i) that a party to the arbitration agreement was under some incapacity, or that said agreement is not valid under the law to which the parties have subjected it or, failing any indication thereon, under the laws applicable in Puerto Rico; or

(ii) that it was not given proper notice of the appointment of an arbitrator or of the arbitral proceedings or was otherwise unable, for any other reason, to present its case; or

(iii) that the award deals with a controversy not contemplated by the arbitration agreement or contains decisions beyond the terms of the arbitration agreement; provided, however, that if the provisions of the award on matters submitted to arbitration can be separated from those not so submitted, only the latter may be annulled; or

(iv) that the composition of the arbitral tribunal or the arbitral procedure was not in accordance with the agreement of the parties, unless such agreement was in conflict with a provision of this Chapter from which the parties cannot derogate, or, failing such agreement, was not in accordance with this Chapter; or

(2) the court finds:

(i) that, under the laws applicable in Puerto Rico, the subject matter of the controversy is not capable of settlement by arbitration; or

(ii) that the award is contrary to the public policy of Puerto Rico.

(c) An application for annulment may not be made after three (3) months have elapsed, counted from the date of receipt of the award, or, if a request has been made under Section 4.43 of this Act, from the date on which that request was disposed of by the arbitral tribunal.

(d) The court, when asked to annul an award, may, where appropriate and so requested by a party, suspend the annulment proceedings for a period of time determined by it in order to give the arbitral tribunal an opportunity to resume the arbitral proceedings or to take such other action as in the arbitral tribunal's opinion will eliminate the grounds for the application for annulment.

Section 4.45.- Recognition and enforcement.

(a) An arbitral award, irrespective of the country in which it was made, shall be recognized as binding and, upon application in writing to the competent court, shall be enforced in accordance with the provisions of this Section and of Section 4.46 of this Act.

(b) The party relying on an award or applying for its enforcement shall supply the original award or a copy thereof. If the award is not made in one of the official languages of Puerto Rico, the court may request the party to supply a translation of the award into such language.

Section 4.46.- Grounds for refusing recognition or enforcement.

(a) Recognition or enforcement of an arbitral award may be refused only:

(1) at the request of the party against whom it is invoked, if that party furnishes proof to the competent court of the country where recognition or enforcement is sought:

(i) that a party to the arbitration agreement was under some incapacity, or that said agreement is not valid under the law to which the parties have subjected it or, failing any indication thereon, under the law of the country where the award was made; or

(ii) that the party against whom the award is invoked was not given proper notice of the appointment of an arbitrator or of the arbitral proceedings or was otherwise unable, for any other reason, to present its case; or

(iii) that the award deals with a controversy not contemplated by the arbitration agreement or contains decisions beyond the terms of the arbitration agreement; provided, however, that if the provisions of the award on matters submitted to arbitration can be separated from those not so submitted, recognition and enforcement may be given to the former; or

(iv) that the composition of the arbitral tribunal or the arbitral procedure was not in accordance with the agreement entered into by the parties or, failing such agreement, was not in accordance with the law of the country where the arbitration took place; or

(v) that the award has not yet become binding on the parties or has been annulled or suspended by a court of the country in which, or under the law of which, that award was made; or

(2) if the court finds:

(i) that, under the laws applicable to Puerto Rico, the subject matter of the controversy is not capable of settlement by arbitration; or

(ii) that the recognition or enforcement of the award would be contrary to the public policy of Puerto Rico.

(b) If an application for annulment or suspension of the award has been made to a court referred to in subsection (a)(1)(v) of this Section, the court where

recognition or enforcement is sought may, if it considers it proper, adjourn its decision and may also, on the application of the party claiming recognition or enforcement of the award, order the other party to provide appropriate security.

The country in which the award was made shall not be grounds for refusing recognition or enforcement thereof.

CHAPTER 5 - FINAL PROVISIONS

Section 5.01.- Repeal.

The Commercial Arbitration in Puerto Rico Act, Act No. 376 of May 8, 1951, as amended, and the International Commercial Arbitration in Puerto Rico Act, Act 10-2012, are hereby repealed.

Section 5.02.- Transitory Provision.

This Act shall not affect the actions and proceedings commenced before its effectiveness, nor the rights and prerogatives granted before then.

Section 5.03.- Supremacy.

This Act shall prevail over any other provision that contravenes its purposes.

Section 5.04.- Severability.

If any part of this Act were annulled or declared unconstitutional, the resolution, ruling, or judgment rendered to that effect shall not affect, impair, or invalidate the remainder of this Act. The effect of said judgment shall be limited to the specific part thereof that has been so annulled or declared unconstitutional. If the application to a person or to a circumstance of any part of this Act were invalidated or declared unconstitutional, the resolution, ruling, or judgment rendered to that effect shall not affect or invalidate the application of the remainder of this Act to those persons or circumstances to which it may be validly applied. It is the express and unequivocal will of this Legislative Assembly that the courts enforce the provisions and application of this Act to the greatest extent possible, even if any of its parts is set aside, annulled, invalidated, impaired, or declared unconstitutional, or even if its application to any person or circumstance is set aside, invalidated, or declared unconstitutional.

Section 5.05.- Effectiveness.

This Act shall take effect one hundred eighty (180) days after its approval.

[*Illegible stamp*]