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Vacatur of Awards Under the Tennessee Uniform Arbitration Act: Substance, Procedure, and Strategies for Practitioners

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Currently, a lively debate exists in the academic community about the fairness of contractual arbitration clauses. The commentators rarely explore the doctrinal aspects of arbitration as found in the Uniform Arbitration Act, the Revised Uniform Arbitration Act, and the Federal Arbitration Act. This oversight is regrettable because standard form arbitration clauses are a fixture on the current legal landscape and the odds are high that arbitration in its current form will continue for many years to come.

This article analyzes the Tennessee Uniform Arbitration Act (TUAA). One of the most challenging TUAA topics is the action for vacatur (annulment) of an arbitral award, where claimants regularly prove unsuccessful in their efforts. Because actions for vacatur are often the most hotly-disputed matters between the arbitral parties, this article focuses on this subject to assist practitioners in developing strategies to advance their clients’ interests.

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INTRODUCTION

In 1983, the General Assembly passed the Tennessee Uniform Arbitration Act (TUAA).1 The Act repealed all prior inconsistent laws on arbitration and reversed the common law rule that
agreements to arbitrate a future dispute are unenforceable. The prior version of the Tennessee arbitration statutes were codified at Tenn. Code Ann. §§ 23-501 to 23-519 and were substantially unchanged from 1852 until the advent of TUAA. Although most TUAA proceedings are between private parties, governmental entities as allowed by law may invoke TUAA.

With a few exceptions, the legislature patterned TUAA after the Uniform Arbitration Act, which is a model statute that the National Conference of Commissioners on Uniform State Laws drafted in 1955 and that numerous American jurisdictions enacted thereafter. Because of the close relation of TUAA and other states’ arbitration statutes, TUAA provides that it “[s]hall be construed to effectuate its general purpose to make uniform the laws of those states which enact it.” On the other hand, Tennessee courts carefully point out that while “the objective of uniformity cannot be ignoring [the] utterances of other jurisdictions, sister court opinions on their Uniform Act are not binding upon Tennessee tribunals.” Indeed, the Tennessee Supreme Court has gone so far as to say, “We do not construe Tenn. Code Ann. § 29–5–320 as an inexorable

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3 Compare Meirowsky v. Phipps, 432 S.W.2d 885, 886 (Tenn. 1968)(describing pre-TUAA standards).

4 Cf. Chattanooga Area Regional Transp. Authority, No. 03A019712CH00524, 1999 WL 76074 (Tenn. Ct. App. Jan. 28, 1999)(the statute would need to include these entities by specific reference before they may enter into arbitration); Tipton County Dep’t of Public Instruction by Tipton, No. 02A01-9704-CH-00084, 1998 WL 158774 at *3 (Tenn. Ct. App. Apr. 7, 1998)(school boards, counties, and other political subdivisions in the state may invoke the Act).

5 See Stephen Wills Murphy, Note, Judicial Review of Arbitration Awards Under State Law, 96 Va. L. Rev. 887, 891 (2010). In 2000, the National Conference of Commissioners approved a Revised Uniform Arbitration Act, which seventeen states (not including Tennessee) have adopted. All told, 49 states plus the District of Columbia have adopted the Uniform Arbitration Act or substantially similar legislation. See http://www.uniformlaws.org/shared/docs/arbitration/arbitration_final_00.pdf.


command to make up a scorecard of the states that have accepted and rejected a particular interpretation of a provision of the Uniform Arbitration Act and then to follow the majority view without further discussion or analysis.\textsuperscript{8}

Another important point of comparison is the Federal Arbitration Act (FAA),\textsuperscript{9} which Tennessee courts cite frequently as persuasive—but not necessarily binding—authority in TUAA cases.\textsuperscript{10} This comparison is also important because Tennessee state and federal courts both have jurisdiction of FAA cases. Thus, a claimant may properly file an action in state court to obtain relief under the governing FAA with respect to arbitration agreements involving interstate commerce.\textsuperscript{11} This article will make frequent use of decisions from other jurisdictions to address issues that are unclear or insufficiently addressed in TUAA case law.

TUAA has only grown in importance for the commercial law system since its enactment in 1983. Tennessee appellate courts have strongly endorsed TUAA as a fair and efficient alternative to conventional civil litigation.\textsuperscript{12} Tennessee courts view arbitration as a “valuable tool,” “favored by legislative policy,”\textsuperscript{13} because it can make resolution of disputes “more

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\textsuperscript{8} Morgan Keegan & Co., Inc. v. Smythe, 401 S.W.3d 595, 611 (Tenn. 2013).
\textsuperscript{9} 9 U.S.C. §§ 1 et seq.
\textsuperscript{10} \textit{E.g.}, Pugh's Lawn Landscape Co., Inc. v. Jaycon Development Corp., 320 S.W.3d 252, 257 (Tenn. 2010); Arnold v. Morgan Keegan & Co., Inc., 914 S.W.2d 445, 448, 450-51 (Tenn. 1996).
\textsuperscript{11} \textit{E.g.}, Frizzell Constr. Co. v. Gatlinburg, LLC, 9 S.W.3d 79 (Tenn. 1999).
\textsuperscript{12} \textit{E.g.}, Arnold v. Morgan Keegan & Co., Inc., 914 S.W.2d 445, 449 (Tenn. 1996)(“[a]rbitration is attractive because it is a more expeditious and final alternative to litigation.”). Currently, a lively debate exists in the academic community on whether arbitration as applied to mass market consumer contracts is a fundamentally fair process. One commentator has said that “Many well-articulated and convincing critiques have been aimed at “mandatory” arbitration and some equally strong counter arguments have also been made.” Meredith R. Miller, \textit{Contracting Out of Process, Contracting Out of Corporate Accountability: An Argument Against Enforcement of Pre-Dispute Limits on Process}, 75 Tenn. L. Rev. 365, 369 (2008).
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efficient, more economical and equally fair” to the parties.\textsuperscript{14} Tennessee courts have said about TUAA, “[T]he legislature sought to facilitate and promote a quicker, more cost effective, less cumbersome, yet binding means of dispute resolution.”\textsuperscript{15}

In keeping with this pro-arbitration policy, courts have stated that the Tennessee arbitration statutes are remedial and any issue of interpretation “ought to be resolved in line with [their] liberal policy of promoting arbitration both to accord with the original intention of the parties and to help ease the current congestion of court calendars.”\textsuperscript{16} Therefore, Tennessee courts have observed that the scope of an arbitration agreement under TUAA (as opposed to its enforceability \textit{vel non})\textsuperscript{17} must receive as “broad a construction” as the words will allow. A further consequence is that courts must resolve any doubts in favor of requiring arbitration.\textsuperscript{18}

Nevertheless, as one authority observes, “[I]n spite of the increased use of arbitration, the law concerning arbitration is still considered to be esoteric and often misunderstood by attorneys and judges alike.”\textsuperscript{19} Compounding this challenge is that commentary is brief on TUAA arbitration and essentially unaddressed in the law journals.\textsuperscript{20} One of the most challenging

\begin{itemize}
  \item 21 \textsc{Richard} A. \textsc{Lord}, WILLISTON ON CONTRACTS § 57:20 (4th ed. 2001).
  \item See 27 \textsc{Joseph} T. \textsc{Getz} & \textsc{Michael} I. \textsc{Less}, TENNESSEE PRACTICE SERIES, CONSTRUCTION LAW HANDBOOK, CHAPTER 14 (DEC. 2013); 16 \textsc{William} \textsc{Brown}, \textsc{Et Al.}, TENNESSEE PRACTICE SERIES, DEBOR- CREDITOR LAW AND PRACTICE, PART I, CHAPTER 2, § 2:121 (2d ed. 2013); 13 \textsc{Ellen Bronaugh Vergos}, TENNESSEE PRACTICE SERIES, LEGAL FORMS REAL ESTATE LEASES § 7:1 (2014); 2 \textsc{Thomas} \textsc{Leveille} & \textsc{Lori Farris Fleishman}, TENNESSEE LITIGATION FORMS AND
TUAA topics is the action for vacatur (annulment) of an arbitral award, where claimants regularly prove unsuccessful in their efforts. Because actions for vacatur are the often the most hotly-disputed matters between the arbitral parties, this article focuses on this subject to assist practitioners develop their strategies as they seek to advance their clients’ interests.

The next section of the article covers the arbitration essentials inclusive of definitions, the scope of judicial review, and the policy favoring finality of awards. The third section addresses TUAA agreements, awards, and related procedures. The fourth section provides an overview of the substantive and procedural aspects of vacatur and the modification of arbitral awards. The fifth section is the most extensive in the article and describes vacatur as a judicial control mechanism, addresses the standards for record review in vacatur cases and then examines the five statutory grounds for vacatur in Tennessee. These grounds are: (1) award procured by corruption, fraud or other undue means; (2) evident partiality by an appointed neutral arbitrator or corruption in any arbitrators or misconduct prejudicing the rights of any party; (3) the arbitrators exceeded their powers; (4) the arbitrators refused to postpone the hearing upon sufficient cause or refused to hear material evidence at the hearing or otherwise conducted the hearing as to prejudice substantially the rights of a party; and (5) no arbitration agreement existed and the issue was not adversely determined at the proceeding and the party participating in the hearing raised an objection.

The fifth section also covers a topic that has practically no Tennessee commentary, but bears noting by practitioners, and that is Tennessee common law arbitration and associated grounds for vacatur. This section further addresses the most important common law (non-
statutory) grounds, which are the arbitrator’s “manifest disregard of the law” in rendering the
decision and where the arbitrator’s decision violates public policy.

In keeping with the title of this article, the sixth section contains a wide ranging
procedural and substantive critique of arbitration in Tennessee. Examples of the topics include
“The Superiority of Arbitration Over Litigation: Fact or Fiction,” the questionable judicial gloss
on TUAA regarding the narrow judicial standard of arbitral awards, the unduly permissive
judicial stance toward a minimal record in arbitration proceedings, and many other substantive
and procedural points. Throughout, the article will emphasize legal strategies for practitioners,
especially in unclear or contested areas of Tennessee arbitration jurisprudence.

I. ARBITRATION ESSENTIALS: BASIC CONCEPTS, STANDARDS FOR
JUDICIAL REVIEW, AND THE NEED FOR FINALITY

A. “Arbitration” Defined

While not defined in TUAA, “arbitration” — a “matter of contract”\(^\text{21}\) — “[i]s a consensual
proceeding in which the parties select decision-makers of their own choice and then voluntarily
submit their disagreement to those decision-makers for resolution in lieu of adjudicating the
dispute in court.”\(^\text{22}\) Arbitration is a “quasi-judicial proceeding,” adversarial in nature;\(^\text{23}\)

\(^{21}\) Frizzell Construction Co. v. Gatlinburg, LLC, 9 S.W.3d 79, 84 (Tenn. 1999). See also Mengel Co. v. Nashville
Paper Prods. & Specialty Workers Union, No. 513, 221 F.2d 644, 647 (6th Cir. 1955)(no independent right for a
party to require arbitration without the right to have the issue determined by a court).
Bridgestone/Firestone, Inc., 2 S.W.3d 197, 206 (Tenn. Ct. App. 1999) (arbitration is “an ‘adjudication’ of
conflicting interests by a neutral third party”); Blount Excavating, Inc. v. Denso Mfg Tennessee, No. 03A01-9903-
in which a neutral third party (arbitrator) renders a decision after a hearing at which both parties have an opportunity
ordinarily, it includes hearings, prior notice to the parties, documentary evidence, and witness testimony.\(^{24}\) An arbitration award is tantamount to a court judgment and, unless the party in opposition proves in a vacatur proceeding that the award violated the applicable statutory criteria, it will be conclusive on the parties’ rights and liabilities.\(^{25}\)

While as indicated above, arbitration shares some general traits with conventional civil actions, it also differs significantly on the formalities of litigation. The most prominent distinction is arbitration’s generally minimal reliance on the rules of evidence. Accordingly, when parties submit their dispute to arbitration, they “always risk[ ] procedural and evidentiary shortcuts.”\(^{26}\) Many years ago, Judge Learned Hand explored the tradeoff a party makes when it selects arbitration over litigation:

> Arbitration may or may not be a desirable substitute for trials in courts; as to that the parties must decide in each instance. But when they have adopted it, they must be content with its informalities; they may not hedge it about with those procedural limitations which it is precisely its purpose to avoid. They must content themselves with looser

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\(^{24}\)Merrimack Mut Fire Ins. Co., 59 S.W.3d at 150. For a judicially-approved instance where the parties used an arbitration-like proceeding but where the parties employed measures to avoid the finality characteristic of arbitration and where an agent of the owner served as an arbitrator, see Blount Excavating, Inc. v. Denso Mfg Tennessee, 1999 WL 1068678 (Tenn. Ct. App. Nov. 29, 1999); see also Smith v. Smith, 989 S.W.2d 346, 348 (Tenn. Ct. App. 1998) (similar holding).


approximations to the enforcement of their rights than those that the law accords them, when they resort to its machinery.\textsuperscript{27}

Two arbitration agreements exist in these proceedings: the one between the parties (often called the “submission”) and the one between the arbitrator(s) and the parties.\textsuperscript{28} The submission is the roadmap for the proceedings and defines the issues for decision.\textsuperscript{29} The submission may take one of two forms: (1) a stand-alone arbitration agreement, or (2) an arbitration clause in the principal contract for the goods or services.\textsuperscript{30} Indeed, the submission has such importance that it contains a “presumption” of arbitrability, i.e., the parties have agreed to submit a particular issue to arbitration.\textsuperscript{31} A court should not refuse to issue an order to arbitrate unless it may be said with positive assurance that the arbitration clause is not susceptible of an interpretation that covers the asserted dispute.\textsuperscript{32}

Where a party agrees to arbitration, it relinquishes “much” of its right to receive a judicial decision on the merits.\textsuperscript{33} Indeed, courts and commentators have characterized arbitration as a type of “forum selection clause.”\textsuperscript{34} Courts commonly observe, “An agreement to arbitrate does

\textsuperscript{27} American Almond Products Co. v. Consolidated Pecan Sales Co. Inc., 144 F.2d 448, 451 (2d Cir. 1944).
\textsuperscript{29} 21 RICHARD A. LORD, WILLISTON ON CONTRACTS § 57:45 (4th ed. 2001)(good discussion).
\textsuperscript{30} THOMAS E. CARBONNEAU, THE LAW AND PRACTICE OF ARBITRATION 42 (3d ed. 2009).
\textsuperscript{31} MARTIN DOMKE ET AL., DOMKE ON COMMERCIAL ARBITRATION § 15:2 (3d ed. 2008).
\textsuperscript{32} Metro Const. Co., Inc. v. Cogun Industries, Inc., No. 02A01-9608-CH-00207, 1997 WL 538914 at *3 (Tenn. Ct. App. Sept. 4, 1997)(citing cases); Wachtel, 830 S.W.2d at 908. For additional discussion of arbitrability, see MARTIN DOMKE ET AL., DOMKE ON COMMERCIAL ARBITRATION CH. 15 (3d ed. 2008)(extensive analysis of determination of issues by court or arbitrator; parties’ intention; arbitrable issues—in general; arbitrable issues—presumptions and burden of proof (including broad or restrictive clauses; subject matter; and waiver).
\textsuperscript{33} Arnold, 914 S.W.2d at 448.
not affect the rights and duties of the parties” but “simply shifts the forum of dispute settlement” for resolving the parties’ differences.\textsuperscript{35}

The above statement that arbitration “does not affect the rights and duties of the parties” can be misleading. The reason is that courts and arbitrators have different responsibilities for adhering to statutory and case law principles. Many courts hold that where a party seeks vacatur based on the arbitrator’s erroneous legal interpretation, this alleged misapplication of the law, by itself, is not grounds for overturning an arbitral award.\textsuperscript{36} To an extent, this problem is alleviated by the doctrine that arbitration awards are not legal precedents and do not bind the courts (or future arbitrators).\textsuperscript{37} In numerous succeeding sections, this article will discuss the ramifications of the relaxed legal standards on statutory compliance in arbitration proceedings.

\textbf{B. The Scope of Judicial Review}

In the same vein as the strong policy favoring arbitrability, courts have a “limited role” in reviewing an arbitration decision as the courts follow a “deferential” standard of review.\textsuperscript{38} This process is not de novo.\textsuperscript{39} As a result, the trial court in vacatur cases acts as an appellate court to

\begin{footnotes}
\item[36] See, e.g., Arnold, 914 S.W.2d at 451 (“errors of law or fact, or an erroneous decision of matters submitted to [arbitration] are insufficient to invalidate an award fairly and honestly made.”).
\item[37] See People’s Sec. Life Ins. Co. v. Monumental Life Ins. Co., 991 F.2d 141, 147 (4th Cir. 1993).
\end{footnotes}
the arbitrator where the court does not reweigh the evidence presented to the arbitrator. Similarly, the formal review at the Tennessee Court of Appeals or the Tennessee Supreme Court is not de novo, except that questions of law will be considered without deference to the lower court.

Based on these constraints, the courts’ review of an arbitration decision is “‘one of the narrowest standards of judicial review in all of American jurisprudence.’” The policy is to avoid the undue “judicialization” of the arbitration process and to ensure that arbitration does not become an additional expensive and time consuming layer to the already complex litigation process. “Judicialization” occurs where the process inappropriately lends itself to conventional legal and evidentiary appeals that would render informal arbitration a mere prelude to the more cumbersome and time consuming judicial review process.

As indicated above, the scope of judicial review is narrow. Courts may set aside an arbitration decision only in “very unusual circumstances” and the award will stand unless shown to be “clearly erroneous.” The standard for arbitral reversal must be based on statute or where

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40 AM. JUR. 2d Alternative Dispute Resolution § 206 (2014)(also stating the movant must rely upon a statutory or common law ground for vacatur for the trial court to have jurisdiction).
42 Pugh's Lawn Landscape Co., Inc. v. Jaycon Development Corp., 320 S.W.3d 252, 258 n.4 (Tenn. 2010). By a similar logic, the trial court has no duty of deference to the arbitrator for his conclusions of law.
44 E.I. Du Pont de Nemours and Co. v. Grasselli Employees Ass’n, 790 F.2d 611, 614 (7th Cir. 1986).
46 See Arnold, 914 S.W.2d at 448, 450, citing First Options of Chicago, Inc. v. Kaplan, 514 U.S. 938, 942 (1995). See also National Wrecking Co. v. International Bhd. of Teamsters Local 731, 990 F.2d 957, 960 (7th Cir. 1993) (“Judicial review of arbitration awards is narrow because arbitration is intended to be the final resolution of disputes.”); Remmey v. Painewebber, Inc., 32 F.3d 143, 146 (4th Cir. 1994) (finding that parties would cease to use arbitration if courts did not resist the temptation to re-decide arbitral decisions)(good discussion); E.I. DuPont de Nemours v. Grasselli Employees Indep. Ass'n, 790 F.2d 611, 614 (7th Cir. 1986) (“an extremely low standard of review is necessary to prevent arbitration from becoming merely an added preliminary step to judicial resolution”);
the arbitration has deprived a party of due process. A reviewing court cannot consider the merits of an arbitration award even when the aggrieved party alleges that the award is tainted by errors of fact or law or by the arbitrator’s misunderstanding or misrepresentation of the contract.47

Finally, the submission itself could affect the scope of judicial review. For example, if the parties’ agreement states that the arbitrator is the final judge of the admissibility of evidence, and that the ordinary rules of evidence do not apply, the arbitrator’s rulings on this point are not reviewable by a subsequent court.48 In this way, TUAA serves as an “efficient and economical system of alternative dispute resolution.” 49

Some jurisdictions go even further and state that an arbitration award will not be appealable where (1) the parties contractually agreed to resolve their dispute through binding arbitration, and (2) they expressly agreed to waive the right of judicial review of the arbitrator’s decision.50 These principles would likely apply in Tennessee because our courts recognize a party’s right to waive an appeal.51

C. The Need for Finality

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49 See generally Arnold v. Morgan Keegan & Co., Inc., 914 S.W.2d 445, 450 (Tenn. 1996); Buraczynski v. Eyring, 919 S.W.2d 314, 318 (Tenn. 1996)(public policy favors alternative dispute resolution because “[i]t is quicker, less expensive and relieves court congestion” and also because of the “[f]inality of decisions and informality of rules and procedure”).
The above-mentioned strong pro-enforcement policy advances the core need for finality in arbitration cases, even though “harsh results” can and will occur.\textsuperscript{52} The Tennessee Supreme Court has remarked,

If an arbitrator makes a mistake, either as to law or fact, it is a misfortune of the party, and there is no help for it. There is no right of appeal and the Court has no power to revise the decisions of “judges who are of the parties’ own choosing.” An [arbitration] award is intended to settle the matter in controversy, and thus save the expense of litigation. If a mistake be a sufficient ground for setting aside an award, it opens a door for coming into court in almost every case; for in nine cases out of ten some mistake either of law or fact, may be suggested by the dissatisfied party. Thus . . . arbitration, instead of ending would tend to increase litigation.\textsuperscript{53}

Obviously, the above passage in stating there is “no right to appeal” is partially mistaken or at least misleading with regard to TUAA because there is definitely a right of appeal through the vacatur process of Tenn. Code Ann. §§ 29-5-313 and 29-5-314. Therefore, the better interpretation of the above passage is that the Tennessee Supreme Court was essentially emphasizing the importance of finality in arbitration.

In another aspect of the need for finality in arbitration, the law advances party autonomy and freedom of contract. A 1997 Tennessee Court of Appeals case observed, “These parties signed a contract with an arbitration clause. It is for the arbitrator to decide the legal obligations of the parties, based upon the legal principles applicable to the fact of this case. \textit{Since the parties


\textsuperscript{53} Arnold, 914 S.W.2d at 449, 451 (quoting Carolina Virginia Fashion Exhibitors Inc. v. Gunther, 255 S.E.2d 414, 420 (N.C. Ct. App. 1979)).
agreed to arbitration, it is not for the courts to decide their controversies.”

Other courts explicitly acknowledge this freedom of contract policy in their decisions construing the local version of the Uniform Arbitration Act. Thus, according to the Connecticut Supreme Court in *L & R Realty v. Connecticut National Bank*, “[a]rbitration agreements illustrate the strong public policy favoring freedom of contract and the efficient resolution of disputes.”

It would be a mistake, however, to conclude that TUAA pursues the goal of finality in every aspect. Other objectives besides finality are important. Balanced against the strong finality policy is the need to avoid excessive emphasis on unchangeable outcomes. Some TUAA examples of provisions placing proper emphasis on objectives other than finality are Tenn. Code Ann. § 29-5-302, which requires written arbitration agreements, and Tenn. Code Ann. § 29-5-307, which precludes a party from waiving the right to representation by an attorney at an arbitration hearing or other proceeding.

III. TUAA AGREEMENTS, AWARDS, AND RELATED PROCEDURES

A party challenging an arbitration award may seek the relief from the court or the remedy may arise after the court orders a submission to the arbitrators. Upon application of a party, the court under Tenn. Code Ann. § 29-5-312 shall confirm an award, unless a party, acting within

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54 B.L. Hodge Co. v. Roxco, Ltd., No. 03A01-9704-CH-00144, 1997 WL 644960 at *4 (Tenn. Ct. App. Oct. 16, 1997). See also Jones v. Cubberly, No. 03A01-9210-CH-00370, 1993 WL 17721 at *1 (Tenn. Ct. App. Jan. 29, 1993)(“Courts are justified in exercising great caution when asked to set aside an arbitration award, which is the product of the theoretically informal, speedy and inexpensive process . . . . freely chosen by the parties”).


56 See also THOMAS E. CARBONNEAU, THE LAW AND PRACTICE OF ARBITRATION 31 (3d ed. 2009) (freedom of contract is “a theme that runs through the core of the U.S. law of arbitration . . . ”).


the time limits found in the TUAA, urges grounds for vacating, modifying, or correcting the award. The above statute in allowing “confirmation” is “[p]rimarily a mechanism whereby a court adds its imprimatur to an arbitrator’s decision.” Put another way, the confirmation of an arbitration award occurs in a summary proceeding where the court converts the final arbitration award into the final judgment of the court. Either party may seek vacatur under Tenn. Code Ann. 29-5-313(a)(1) but a party may challenge the alleged inadequacy or excessiveness of the award only upon proof of fraud or corruption.

Where the aggrieved party petitions to vacate the award by authority of Tenn. Code Ann. § 29-5-313 (discussed below), the prevailing party has no requirement to file a counter petition to confirm. Instead, the prevailing party in answering the petition to vacate may include a request for the court to confirm the award. If neither party appeals the trial court’s confirmation or vacatur of the award, then neither party has preserved its right to appellate review of the trial court’s judgment.

An arbitration decision carries the “same dignity” as a court of competent jurisdiction in matters of res judicata or collateral estoppel. Because of these issues, a party might contend that a subsequent court cannot give preclusive effect (in the sense of collateral estoppel) to an

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62 TENN. CODE ANN. § 29-5-314(a) (1983). See also TENN. CODE ANN. § 29-5-314(c) (1983)(party can request both modification/correction and vacatur in one proceeding).
66 Pugh’s Lawn Landscape Co., Inc. v. Jaycon Development Corp., 320 S.W.3d 252, 257 (Tenn. 2010)(not enough for agreement to address appeal from an arbitrator’s award).
arbitral award if it lacks detailed findings of fact. Concededly, no requirement exists for an arbitrator’s detailed findings of fact and conclusions of law unless the parties agree to this documentation requirement in their submission. Nevertheless, courts have found that the absence of detailed findings of fact is not “necessarily fatal if preclusion can be “necessarily implied from the nature of the claim and award.”

TUAA does not address the subject of remands by the court to the arbitrator. As a suggested strategy for the practitioner, FAA case law can provide a helpful analogy. Although the cases are not unanimous, the basic rule should be that remand is proper where the arbitrator is the only ruling body sufficiently close to the facts of the case to resolve award uncertainties, but where the resolution is clear and beyond significant doubt, no remand should be needed.

IV. VACATUR AND MODIFICATION OF AWARDS—OVERVIEW

A. Substantive Requirements

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67 See infra notes 381-388 and accompanying text
69 United Steel Workers Local Union 978 v. Packaging Corp., No. 1:09–cv–01055, 2010 WL 396353 (W.D. Tenn. Jan. 27, 2010) (construing statute). See also id. at *7 (“The Sixth Circuit has recognized the need for an arbitrator's “clarification of an ambiguous award when the award fails to address a contingency that later arises or when the award is susceptible to more than one interpretation.”)(good discussion of clarification of awards); TENN. CODE ANN. § 27-3-128 (2000) (statutory grounds for remand); Mutual Fire, Marine & Inland Ins. Co. v. Norad Reinsurance, 868 F.2d 52, 58 (3d Cir. 1989) (“A district court itself should not clarify an ambiguous arbitration award but should remand it to the arbitration panel for clarification” and especially when “patently ambiguous”). But see id. at 58 (“a remand is inappropriate, however, where it would force a decision of an issue not previously submitted to the arbitrators”); Fischer v. CGA Computer Assocs., Inc., 612 F. Supp. 1038, 1041 (S.D.N.Y. 1985) (court should not order a remand where the court can resolve any ambiguities in the award by modification by way of 9 U.S.C. § 11 (1947)).
A court’s mere disagreement with the arbitrator’s decision is not a basis for vacatur.\textsuperscript{70} TUAA governs the scope of judicial review of arbitration awards; therefore, TUAA restricts a trial court’s review to the statutory circumstances that create grounds for modification or vacation of an arbitration award.\textsuperscript{71} Stated more elaborately, the Tennessee Supreme Court has held that (1) an arbitration agreement may not provide for a judicial review of an arbitration award outside the TUAA boundaries, and (2) TUAA limits the process by which a court may review the arbitrator's award. The upshot is that parties may not make the arbitral decision the judgment or ruling of the trial court and permit an appeal therefrom.\textsuperscript{72} Either party may seek vacatur under Tenn. Code Ann. 29-5-313(a)(1) but the alleged inadequacy or excessiveness of the award is not grounds for relief absent corruption or fraud.\textsuperscript{73}

When the case does come up for review, courts presume that an arbitrator properly has performed his duties and “all presumptions and intendments are in favor of an award.”\textsuperscript{74} Therefore, in an essential strategy, the moving party must allege sufficient facts showing that grounds exist for overturning the arbitrator’s award decision.\textsuperscript{75}

Where a party files an objection to the award, the court under Tenn. Code Ann. § 29-5-313(a) “shall vacate an award” where:

\begin{itemize}
\item \textsuperscript{70} Bangor Gas Co., LLC v. H.Q. Energy Services (U.S.) Inc., 695 F.3d 181, 187 (1\textsuperscript{st} Cir. 2012). See also United Steelworkers of Am. v. Enterprise Wheel & Car Corp., 363 U.S. 593, 599 (“courts have no business overruling [the arbitrator] because their interpretation of the contract is different from his”).
\item \textsuperscript{71} D &E Const. Co., 38 S.W.3d at 518 (quoting Arnold, 914 S.W.2d at 447-48).
\item \textsuperscript{73} 21 RICHARD A. LORD, WILLISTON ON CONTRACTS § 57:129 (4\textsuperscript{th} ed. 2001).
\item \textsuperscript{74} Harmon v. Komisar, 15 Tenn. App. 405 (1932). See also Arnold, 914 S.W.2d at 448-49 (“the finality that courts should afford the arbitration process weighs heavily in favor of the award”).
\item \textsuperscript{75} Smith v. Spears, 2005 WL 5467960 (Tenn. Ch. Ct. 2005).
\end{itemize}
(A) The award was procured by corruption, fraud or other undue means;

(B) There was evident partiality by an arbitrator appointed as a neutral or corruption in any of the arbitrators or misconduct prejudicing the rights of any party;

(C) The arbitrators exceeded their powers;

(D) The arbitrators refused to postpone the hearing upon sufficient cause being shown therefor or refused to hear evidence material to the controversy or otherwise so conducted the hearing, contrary to Tenn. Code Ann. § 29-5-306 [the statute on hearings], as to prejudice substantially the rights of a party; or

(E) There was no arbitration agreement and the issue was not adversely determined in proceedings under Tenn. Code Ann. § 29-5-303 [the statute on orders and proceedings] and the party did not participate in the arbitration hearing without raising the objection.

A few of these grounds have extensive case law interpretation while others have minimal explanation. For these latter grounds, it is necessary and proper to refer to case law from other jurisdictions construing their analogous version of the Uniform Arbitration Act. 76 In another aid to practitioners deciding on strategy, they should know that the Tennessee Court of Appeals has observed that FAA and TUAA contain “virtually identical language establishing the relevant grounds for vacating an arbitrator’s decision.”77

76 See TENN. CODE ANN. § 29-5-320 (1983) (Tennessee courts should construe TUAA in light of other jurisdictions considering their version of the Uniform Arbitration Act).
The grounds for vacatur are restricted to “exceptional circumstances” reflecting distinctly unacceptable business conduct. These statutory grounds represent “egregious departures” from the parties’ arbitration agreement. The United States Court of Appeals for the Fourth Circuit in *Romney v. PaineWebber, Inc.*, explained at length the policy for limited judicial review in vacatur cases:

A policy favoring arbitration would mean little, of course, if arbitration were merely the prologue to prolonged litigation. If such were the case, one would hardly achieve the “twin goals of arbitration, namely, settling disputes efficiently and avoiding long and expensive litigation.” Opening up arbitral awards to myriad legal challenges would eventually reduce arbitral proceedings to the status of preliminary hearings. Parties would cease to utilize a process that no longer had finality. To avoid this result, courts have resisted temptations to redo arbitral decisions. As the Seventh Circuit put it, “[a]rbitrators do not act as junior varsity trial courts where subsequent appellate review is readily available to the losing party.”

Thus, in reviewing arbitral awards, a district or appellate court is limited to determining ‘whether the arbitrators did the job they were told to do— they did it well, or correctly, or reasonably, but simply whether they did it.’

80 32 F.3d 143, 146 (4th Cir. 1994) (citations omitted). See also Eljer Mfg., Inc. v. Kowin Dev. Co., 14 F.3d 1250, 1254 (7th Cir. 1994) (“[Arbitration] is a private system of justice offering benefits of reduced delay and expense. A restrictive standard of review is essential to protect the purpose of arbitration as a less expensive and more streamlined method of dispute resolution.”).
A party will not allege valid grounds for vacating or objecting to the award merely because a court of law or equity could not or would not grant the requested relief. In fact, while arbitrators often have strict limits based on the parties’ agreement on what issues they may decide, they can also have a “broad grant of authority to fashion remedies.” Where grounds do exist for vacatur, and assuming no conflict with the parties’ submission, an arbitrator with equitable powers may award declaratory and injunctive relief. Practitioners for prevailing parties are strongly advised to be proactive in their strategy for suggesting creative remedies for capitalizing on a favorable decision.

B. Procedural Requirements

When seeking to vacate an award, the party under TUAA ordinarily must file the application within ninety days after receipt of the award decision. In accordance with Tenn. Code Ann. § 29-5-313(a), where the objection is based upon corruption, fraud or other undue means, the party must seek redress within ninety days after the party knows or should have known such grounds. If the court denies the application to vacate, and no motion to modify or correct the award is pending, the court must confirm the award.

Where the court determines to vacate the award, the court may order an arbitral rehearing under the following criteria. First, except where the court vacates the award where there was no arbitration agreement and the party did not participate in the hearing without raising an objection, the court may order a rehearing before new arbitrators. If the agreement designates the process for selecting any new arbitrators, it will control on identifying the new arbitrators but failing such a provision, the court will select the arbitrators. Second, if the court vacates the award because the arbitrators exceeded their powers, or unjustifiably refused to postpone the hearing, or prejudicially refused to hear a party’s material evidence, the court may order a rehearing before either the same arbitrators who made the award or their duly appointed successors. The rehearing process must again produce a timely award based on the arbitration agreement and requires a time frame that commences from the date of the order.

Courts should be wary of ordering a rehearing if it would be contrary to the judicial policy of promoting efficiency. Thus, where the rehearing would impose needless delay and cost, and would create another round of proceedings where the court must again decide whether to confirm the award decision, such a process “[w]ould merely serve to exalt form over substance . . . .”

Two concepts-- vacatur and correction/modification of awards-- are theoretically distinct but often closely related in practice. In addition to requesting vacatur, or along with such an

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86 TENN. CODE ANN. § 29-5-313(c) (1983).
87 Id. See also TENN. CODE ANN. § 29-5-304 (1983)(describing judicial selection of arbitrators).
88 TENN. CODE ANN. § 29-5-313(c) (1983).
89 Id.
application, a party may seek correction or modification of an award.91 Where the movant submits an application for modification or correction within ninety days after receipt of the award decision, the court shall modify or correct the award in the following circumstances:92

(1) There was an evident miscalculation of figures or an evident mistake in the description of any person, thing or property referred to in the award;93

(2) The arbitrators have awarded upon a matter not submitted to them and the award may be corrected without affecting the merits of the decision upon the issues submitted; or

(3) The award is imperfect in a matter of form, not affecting the merits of the controversy.

In granting the application, the court shall duly modify and confirm the award as corrected. Otherwise, the court must confirm the original award,94 which in either instance shall be enforceable as any other court judgment or decree.95 Practitioners should carefully observe the distinctions between “correction/modification” and “vacatur” of the award and make the strategic choice in seeking one or both remedies as necessary.

Practitioners also must be acutely aware of how the appellate courts review other closely related issues on whether these issues pertain to questions of fact or questions of law. The

92 TENN. CODE ANN. § 29-5-314(a, c) (1983).
93 Compare 4 AM. JUR. 2d Alternative Dispute Resolution § 224 (2014)(the mistake must be apparent on the face of the record and the arbitrator could have corrected the error had it been brought to his attention).
94 TENN. CODE ANN. § 29-5-314(b) (1983).
identification of the ruling legal standards is a question of law that Tennessee appellate courts review de novo. Similarly, the application of the law to the fact and mixed questions of law and fact is reviewed de novo.  

“When the review of an arbitration decision raises a question of law, the [trial] court reviews the question de novo, as does the court of appeals.”

A prominent treatise explains the parameters of this question for review:

Under the de novo standard of review, questions regarding the arbitrability of an issue, the validity and scope of an arbitration agreement, the waiver of arbitration, the [trial court's] grant or denial of a motion to compel arbitration, the [trial] court's grant of summary judgment in a suit to vacate the arbitration award, the district court’s confirmation of an award, and the [trial] court's analysis of compliance with statutory requirements are reviewed de novo by the court of appeals.

Under TUAA, appeals as a matter of right to the Tennessee Court of Appeals are taken in the “same manner and to the same extent” as occur with appeals from orders or judgments in the typical civil action. Thus, under Tenn. R. App. Rule 4(a), a party making an appeal as of right must file the action within 30 days after the date of entry of the judgment in question. If the trial court dismissed the action, then Tenn. R. App. Rule 3 comes into play. In a Rule 3 appeal, the parties have “broad latitude” to raise issues, consistent with the other rules of appellate procedure. When the party takes an interlocutory appeal under Tenn. R. App. 9, such as an

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98 Id. at § 39:14.
interlocutory appeal from the trial court's order to partially vacate an arbitration award, the only valid issue is the one(s) the trial court granted a party permission to address in such an interlocutory appeal.\textsuperscript{101} Where the trial court has granted a motion to compel arbitration of an issue, the trial court should stay the matter and not dismiss it.\textsuperscript{102} If the issue regarding arbitration is separable from the rest of the case, the trial court may order a stay just for that issue.\textsuperscript{103}

Because a trial court reviewing an arbitration award functions more like an appellate body subject to an extremely narrow standard of review, Tennessee appellate courts do not equate an order vacating an arbitration award and ordering a new arbitration with an order granting a new trial.\textsuperscript{104} The Tennessee Supreme Court has succinctly explained the posture of a case where the trial court issues an order vacating an arbitral award:

An order that vacates an arbitration award and orders a second arbitration is an order “denying confirmation of an award” for the purposes of Tenn. Code Ann. § 29–5–319(a)(3), regardless of whether the party opposing the petition to vacate the award filed a separate cross-petition for confirmation under Tenn. Code Ann. § 29–5–312 or whether the trial court has expressly denied confirmation in its written order.\textsuperscript{105}

Most courts hold that where a party does not invoke the right of appeal under the appropriate procedural vehicle, this omission generally will be a waiver of the moving party’s

\textsuperscript{104} Morgan Keegan & Co. v. Smythe, 401 S.W.3d 595, 611 (Tenn. 2013).
rights regarding enforcement of arbitration provided the opposing party was prejudiced thereby.\textsuperscript{106}

V. TUAA GROUNDS FOR VACATUR

\textbf{A. “Vacatur” as a Judicial Control Mechanism}

In legal parlance, “vacatur” is the act of annulling or setting aside an entry of record or a judgment.\textsuperscript{107} The Tennessee appellate decisions have stated that TUAA in Tenn. Code Ann. § 29-5-313 (discussed below) contains the exclusive grounds for annulling an award,\textsuperscript{108} which means that the parties and courts may not expand (or inferentially restrict) the statutory grounds for review.\textsuperscript{109}

A court may not vacate an award merely because it disagrees with the arbitrator\textsuperscript{110} or if the court concludes that the dollar value of the award was incorrect.\textsuperscript{111} Thus, vacatur is not a


\textsuperscript{108} Arnold, 914 S.W.2d at 448-49; Davis v. Reliance Elec., 104 S.W.3d 57, 61 (Tenn. Ct. App. 2002) (courts “limited to the statutory grounds”).

\textsuperscript{109} Arnold, 914 S.W.2d at 448-49.

\textsuperscript{110} Id.; Adams TV of Memphis Inc. v International Brotherhood of Electrical Workers, AFL-CIO, Local 474, No. 48639 T.D, 1996 WL 590434 at *2 (Tenn. Ct. App. Oct. 15, 1996). \textit{See also} Lagstein v. Certain Underwriters at Lloyd’s, London, 607 F.3d 634, 642 (9th Cir. 2010) (courts will not vacate an award just because the court might have interpreted the contract differently); Employers Ins. Of Wausau v. Nat’l Union Fire Ins. Co. of Pittsburgh, 933 F.2d 1481, 1486 (9th Cir. 1991) (no authority exists to vacate an award because of an arbitrator’s alleged error in contract interpretation).
vehicle for a court to render a decision based on the judge’s view of the equities or of an ideal state of the law. A “real party in interest–” type analysis governs which claimant can bring a vacatur case; thus, a corporate relationship can be sufficient depending on the facts to permit a corporation that is not a party to the arbitration agreement to bring a claim that belongs to an affiliated entity.

The theme of vacatur is that parties are entitled to a fair hearing but not a perfect one. Vacatur of an award is designed to occur in “rare instances;” one case even mentions the “severe remedy of vacatur.” Where the record reveals as little as a “barely colorable” justification for the arbitration decision, courts typically will sustain the outcome, even if the court is convinced that the arbitrator made the “wrong call” on the law.

Courts view vacatur through the lens of deciding arbitration cases expeditiously and at lower cost than ordinary litigation. Therefore, as one commentator observes, “Anyone attempting to vacate an arbitrator’s decision has an uphill battle inasmuch it is the stated policy of the courts to give every intendment of validity to an award.”

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111 Lagstein v. Certain Underwriters at Lloyd’s, London, 607 F.3d 634, 641 (9th Cir. 2010).
112 Stead Motors of Walnut Creek v. Auto. Machinists Lodge No. 1173, 886 F.2d 1200, 1204 (9th Cir. 1989) (en banc).
116 Lagstein v. Certain Underwriters at Lloyd’s, London, 60 F.3d 634, 647 (9th Cir. 2009).
117 See also THOMAS E. CARBONNEAU, THE LAW AND PRACTICE OF ARBITRATION 51 (3d ed. 2009) (“Vacatur . . . is exceedingly unlikely to occur”).
118 In re Andros Compania Maritima, 579 F.2d 691, 704 (2d Cir. 1978); F. Hoffman-La Roche Ltd. v. Qiagen Gaithersburg, Inc., 730 F. Supp. 2d 318, 326 (S.D.N.Y. 2010).
119 Cat Charter, LLC v. Schirtenberger, 646 F.3d 836, 846 (11th Cir. 2011).
regarding the relative merits in Tennessee of arbitration versus litigation in terms of outcomes and lower cost.

In deciding vacatur, the trial court should make findings of fact and conclusions of law. The trial court must “accord deference” to the arbitrator’s award, which means that the scope of review is “narrow” and “limited.” One reason for this judicial deference is that the parties have contracted to have the dispute settled by the arbitrator and therefore they have agreed to accept his view of the facts and the meaning of the contract. Where a trial court considers the award in light of a motion to vacate, it will consider “evidence of fairness incident to the arbitration.” Furthermore, in conformance with general principles of appellate review, a party may not acquiesce in the arbitration proceeding without objection and then, disappointed by the result, raise a complaint before the court that the party could earlier have presented to the arbitrator.

Another strong reason counsels against liberal grounds for overturning an arbitral decision. The reviewing court is not considering a decision of another person or board that is part of the state’s governmental apparatus. The United States Supreme Court observed in Alexander

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122 Arnold, 914 S.W.2d at 448. Anderman/Smith Operating Co. v. Tennessee Gas Pipeline Co., 918 F.2d 1215, 1218 (5th Cir. 1990)( “[j]udicial review of an arbitration award is extraordinarily narrow and this Court should defer to the arbitrator's decision when possible.”).


124 Jones v. Cubberly, No. 03A01-9210-CH-00370, 1993 WL 17721 at *1 (Tenn. Ct. App. Jan 29, 1993)(also stating that an evidentiary hearing is not required when the movant is merely attempting to retry the merits of the arbitration).

A proper conception of the arbitrator’s function is basic. He is not a public tribunal imposed upon the parties by superior authority which the parties are obliged to accept. He has no general charter to administer justice for a community which transcends the parties. He is rather part of a system of self-government created by and confined to the parties. He serves at their pleasure only, to administer the rule of law established by their collective agreement.

Because it is “axiomatic” that no state action occurs with the conduct and rulings of a private arbitrator, arbitration procedures are not susceptible to a constitutional due process challenge.127

While the courts routinely emphasize the need for speed and cost savings as the driving policy for limited vacatur review,128 Tennessee courts infrequently mention (if at all) an important countervailing policy. Even conceding that the arbitrator is not a public officer, the party prevailing in the arbitration can invoke the coercive power of the state to enforce the judgment. To this extent, the arbitrator is an adjunct of the state and the law must account for this involvement.

128 E.g., Cat Charter, LLC v. Schirtenberger, 646 F.3d 836, 846 & n.17 (11th Cir. 2011); Schmidt v. Finberg, 942 F.2d 1571, 1573 (11th Cir. 1991).
Several sister jurisdictions give more weight to the public policies that flow from the arbitrator’s de facto status as part of the governmental apparatus. As the District of Columbia Court of Appeals observed in *Wolf v. Sprenger and Lang, PLLC*, a necessary counterweight to arbitral speed and efficiency “[i]s the need to establish justified confidence in arbitration among the public . . .”\(^{129}\) A New Jersey case also emphasizes that “[I]t is our strongly held view that honest, fair and impartial arbitration is as important as the finality of arbitration.”\(^{130}\) As the Vermont Supreme Court has stated,

To the extent that justified confidence in arbitration is established, it can only aid the courts in meeting the public’s need for speedy, inexpensive and fair dispute resolution. The courts must respect an arbitrator’s determinations; otherwise, those determinations will merely add another expensive and time consuming layer to the already complex litigation process. If the courts merely rubber-stamp arbitrators’ decisions, however, litigants will hesitate to entrust their affairs to arbitration. *It is this delicate balance which courts reviewing arbitration decisions must strive to attain.*\(^{131}\)

Because the run of Tennessee cases omit this co-equal policy governing vacatur, a strong argument exists that such decisions fail to capture the full function of vacatur in arbitration matters.

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Parties may arrange for a verbatim transcript of the arbitration hearing. Because TUAA does not require a transcript, parties might bypass the opportunity, and so an appellate court could review a case without this information. Consistent with TUA’s narrow standard of review, a 1999 Tennessee Court of Appeals opinion said that the likely outcome with a trial record that lacks a transcript of the proceedings is that the appellate court will have “no basis” to find that the decision below was “clearly erroneous” as to warrant reversal. Along the same lines, a Wyoming arbitration decision states that absent a record, the court must presume that the evidence was sufficient and that the arbitrator was fair and impartial and acted within his legal authority.

A related issue is that TUAA has no requirement for arbitrator findings of fact and rulings of law. The arbitral decision could be as minimal as a lump sum award with no accompanying rationale. A leading 1996 Tennessee Supreme Court decision, *Arnold v. Morgan Keegan & Co.*, expresses concerns that a different and overly-burdensome standard to make more elaborate findings and conclusions would encourage appellate courts to review de novo the trial court’s rulings on vacatur and undercut the goal of speedy and efficient resolution of controversies:

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133 Matter of Wyoming Game And Fish Comm’n, 773 P.2d 941, 94-45 (Wyo. 1989); see also Anzilotti v. Gene D. Liggin, Inc., 899 S.W.2d 264, 267 (Tex. App-Houston 1995); Rutter v. McLaughlin, 612 P.2d 135, 136 (Idaho 1980) (missing portions of a record are presumed to support the arbitrator’s decision).
134 Compare Koch Oil, S.A. v. Transocean Gulf Oil Co., 751 F.2d 551, 554 (2d Cir. 1985): “Arbitrators are not required to disclose the basis upon which their awards are made … courts will not look beyond the lump sum award in an attempt to analyze the reasoning processes of the arbitrators;” Kurt Orban Co. v. Angeles Metal Systems, 573 F.2d 739, 740 (2d Cir. 1978) (“Arbitrators are not required to disclose the basis upon which their awards are made . . .”)

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The agreement in this case provided that the arbitrators were not required to make written findings of fact and law. Such is normally the case. Thus, under usual circumstances, any ground for vacating or modifying the arbitration award will usually appear on the face of the award, not within the transcript. It would be unfair and incongruous to hold that an arbitration award in hearings in which a transcript was made is more open to attack than in a case in which no transcript was made. Thus, the case under submission was no more open to review by the trial court than was any other arbitration case.

The very purpose of arbitration is to avoid the courts insofar as the resolution of the dispute is concerned. The object is to avoid what some feel to be the formalities, the delay, the expense and vexation of ordinary litigation. Immediate settlement of controversies by arbitration removes the necessity of waiting out a crowded court docket.

... Arbitration's desirable qualities would be heavily diluted, if not expunged, if a trial court reviewing an arbitration award were permitted to conduct a trial de novo. 135

Put another way, courts disdain “thinning veiled attempts” to obtain appellate review of an arbitrator's decision’ on the merits in the guise of a vacatur inquiry. 136

The Arnold decision is in line with the common statement that “Generally, arbitrators are no more obligated to give reasons for an award than is a jury required to explain a verdict.” 137

136 See Flexible Manufacturing Systems Pty., Ltd. v. Super Products Corporation, 86 F.3d 96, 100 (7th Cir. 1996) (quoting Gingiss International, In. v. Bormet, 58 F.3d 328, 333 (7th Cir. 1995)).
The law also provides that it is not the function of courts to agree or to disagree with the reasoning of the arbitrator, but only to assess the decision, and therefore it becomes much less important for the reviewing court to analyze the arbitrator’s rationale. Because an arbitrator can make an award based on broad principles of fairness and equity, courts have concluded that to require detailed factual and legal conclusions would deprive the arbitrator of this discretion and would convert the vacatur process into a misguided search for mistake of law or fact in the decision. The Tennessee Supreme Court in the Arnold case emphatically stated this approach is not permissible:

Courts, thus, do not sit to hear claims of factual or legal error by an arbitrator as an appellate court does in reviewing decisions of lower courts. If the courts were free to intervene on these grounds, the speedy resolution of grievances by private mechanisms would be greatly undermined. As long as the arbitrator is, arguably, construing or applying the contract and acting within the scope of his authority, the fact that a court is convinced he committed serious error does not suffice to overturn his decision.

The standard is so liberal that no requirement exists that the arbitrator provide precise mathematical calculations of the damages.

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138 Guardian Builders, LLC v. Uselton, 2014 WL 1407218 at *2 (Ala. 2014); see also MARTIN DOMKE, DOMKE ON COMMERCIAL ARBITRATION § 30:6 (3d ed. 2008): “The general rule is that arbitrators need not provide any reasons for their award, and if the award is rationally inferable from the facts it must be confirmed.”


140 See Arnold, 914 S.W.2d at 449.

Is there an out for the parties to avoid the rules on arbitrator explanations for the decision? It will aid the analysis on this point by looking to similar arbitration statutes in other jurisdictions. As indicated above, while an arbitrator does not necessarily exceed his authority under the FAA, 9 U.S.C. § 10(a)(4), when he fails to provide reasons for the award, he can still exceed his authority by failing to render an award in the form required by the arbitration agreement. Thus, for example, the arbitrator can exceed his authority by disregarding a requirement in the parties’ submission to make findings of fact and conclusions of law. If the agreement requires a “reasoned award,” such an award can express varying levels of detail that constitutes more than a simple result but less than full-fledged findings of fact and conclusions of law. A fair reading of the above quoted term, nothing else appearing, is that the arbitrator must document an award listing or mentioning expressions or statements that justify his decision. These FAA decisions are good analogous authority in TUAA matters.

The absence of a transcript could create another adverse consequence for claimants. Assume that a transcript exists in fact, but is not part of the record on appeal; accordingly, when a moving party fails to file an available transcript of the proceedings, the appeal can be frivolous under Tenn. Code Ann. § 27-1-122. The result could be that a court may award an appropriate

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143 See Cat Charter, LLC. V. Schirtenberger. 646 F.3d 836, 843 n.2 (11th Cir. 2011)(also rejecting criticism of a federal district court in a different circuit that “it is very strange to assert that an arbitrator has exceeded his powers by not doing enough”). See also MARTIN DOMKE ET AL., DOMKE ON COMMERCIAL ARBITRATION § 34:7 (3d ed. 1990) (“Of course, the parties may, by agreement, require that arbitrators include findings of fact and conclusions of law, and the failure to provide them may subject the award to attack because the arbitrators had exceeded their powers.”).
145 Cat Charter, LLC. V. Schirtenberger. 646 F.3d 836, 845 n.16 (11th Cir. 2011)(citing the “sparse precedent” addressing the nature of a “reasoned award”).
level of damages against the appellant, which can include interest on the judgment, and the appellee’s expenses.\textsuperscript{146}

\textit{C. Award Procured by Corruption, Fraud or Other Undue Means (Tenn. Code. Ann.\$ 29-5-313(a)(1)(A))}

No Tennessee cases were found interpreting Tenn. Code. Ann. \$ 29-5-313(a)(1)(A) where an award was procured by corruption, fraud or other undue means. The most that can be said is that several pre-TUAA decisions from nineteenth century Tennessee courts disapprove of fraudulent arbitral awards.\textsuperscript{147} While Tennessee cases largely fail to consider modern-day vacatur based on corruption, fraud, or other undue means, other jurisdictions construing similar arbitration statutes have set down some well-settled principles.

1. Corruption

Corruption is “the state of being corrupt; a perversion of integrity; bribery” and “corrupt” means “guilty of dishonest practices, as bribery; lacking integrity; crooked: a corrupt judge.”\textsuperscript{148} The referenced language apparently means the corruption of a party, witness, arbitrator or other person involved in the proceedings.\textsuperscript{149} No Tennessee decisions were found on this theory and

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\footnotesize
\textsuperscript{147} See, e.g., Matthews v. Matthews, 48 Tenn. 669 (1870)(party’s threat to prosecute the other party for perjury qualified as fraudulent conduct justifying the set aside of the arbitration award).
\end{flushright}
the case law from other jurisdictions is scant as well. The most likely reason is that courts apparently treat “corruption” as a synonym for “fraud.”


2. Fraud

To the extent it can be differentiated from “corruption,” “fraud” requires proof of “bad faith” during the arbitral proceedings, such as bribery, undisclosed arbitrator bias, or willfully destroying or withholding evidence. The movant must establish the following elements of fraud: (1) proof by clear and convincing evidence, (2) the claimant’s exercise of due diligence prior to or during the arbitration would not have revealed the fraud, (3) a material relation existed with respect to an issue in the arbitration such that the fraud prevented the complaining party from fully and fairly presenting his case (which differs from whether the outcome would have

been different had the fraud not occurred). The fraud must be willful and deliberate but may not include constructive fraud, quasi-fraud or any other merely fraud-like conduct.

Fraud is difficult to prove in vacatur cases because the claimant will often experience serious challenges in proving the alleged conduct directly influenced the outcome. Based on the strong policy favoring arbitration, and to preserve finality, there needs to be “an extremely high degree of improper conduct” and “more so” than the common law variety of fraud. The party alleging fraud also must show that the fraud was not discoverable with due diligence before or during the arbitration proceeding. One variety (among numerous possible circumstances) where an award will be procured by fraud is if the arbitrator engaged in numerous ex parte contacts with one of the parties and this official showed “complete unwillingness to respond, and indifference, to any evidence or argument” in support of the other party’s positions. The word “procured” in Tenn. Code Ann. § 29-5-313(a)(1)(A) implements the legislative intent for a nexus between the alleged fraud and the basis for the arbitral decision.

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152 MidAmerican Energy Co. v. Int’l Bd. Of Elec. Workers Local 499, 345 F.3d 616, 622 (8th Cir. 2003); Hardeman v. Burge, 18 Tenn. 202 (1836)(allegation of arbitrator corruption and misconduct must be proven by “clear and conclusive” evidence, especially when there has been a long lapse of time).


154 See Delta Mine Holding Co. v. AFC Coal Properties, Inc., 280 F.3d 815, 822-23 (8th Cir. 2001).

155 Dogherra v. Safeway Stores, Inc., 679 F.2d 1293, 1297 (9th Cir. 1982)(courts “must be slow” to vacate an award based on fraud).


158 See Pacific & Arctic Ry. And Nev. Co. v. United Transp., 952 F.2d 1144, 1148 (9th Cir. 1991). See also Remmey, 32 F.3d at 149 (“party seeking vacation of an award on the basis of ex parte conduct must demonstrate that the conduct influenced the outcome of the arbitration”); Employers Ins. Of Wausau, 933 F.2d at 1490 (moving party must prove prejudice resulting from the ex parte conduct). Compare Spector v. Torenberg, 852 F. Supp. 201, 210 n.9 (S.D.N.Y. 1994) (the burden may shift to the party seeking confirmation of the award to demonstrate the absence of prejudice if the party seeking vacatur establishes that the ex parte contact occurred under secret or conspiratorial circumstances).

159 Forsythe Intern., S.A. v. Gibbs Oil Co. of Texas, 915 F.2d 1017, 1022 (5th Cir. 1990).
One frequent point of contention in the decisional law is whether the amount of the award alone can evidence arbitrator fraud or corruption. A prominent treatise observes, “To justify setting aside an award based on its inadequacy, the inadequacy must be so strong, gross, and manifest that it would be impossible to state it to a person of common sense without producing an exclamation about its unfairness.”

Other issues exist under this type of statute. One common variety of fraud as a basis for vacatur is where a party submits false testimony or other evidence or effects a fraudulent concealment of relevant facts but improper non-disclosures of documents during pre-hearing discovery will not suffice for “fraud.” It bears noting that as with a number of grounds for vacatur, the same act can qualify under more than one statutory theory. Thus, for example, an ex parte conversation between the arbitrator and another person could also qualify as Tenn. Code Ann. § 29-5-313(a)(1)(B) for arbitrator misconduct. Tennessee law is unclear on whether a court may set aside an arbitration award where a party, and not the arbitrator, commits the fraud procuring the award. The federal cases do not appear to draw this distinction to excuse a party’s misconduct.

3. Undue Means

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162 Pontiac Trail Medical Clinic, P.C. v. PaineWebber, Inc., No. 9201972, 1 F.3d 1241 at *4 (6th Cir. 1993)(Table).
165 See, e.g., Bonar v. Dean Witter Reynolds, Inc., 835 F.2d 1378, 1383 n.17 (11th Cir. 1998)(stating “no doubt” that the perjury of a witness constitutes fraud under the FAA).
The phrase “undue means” in a statute allowing vacatur of an arbitration award signifies conduct akin to fraud and corruption.\(^{166}\) The irregularity for “undue means” must have caused an unjust, inequitable or unconscionable award.\(^{167}\) Some authorities require conduct that involves immoral or illegal grounds.\(^{168}\) An example could be where the party has obtained an award by improper intimidation or threats against the arbitrator.\(^{169}\)

The Mississippi Supreme Court has ruled that the quoted term means “nefarious conduct” that “equals intentional malfeasance” which differs from simple errors of law or fact\(^{170}\) or “sloppy or overzealous lawyering.”\(^{171}\) As stated more elaborately by the Wisconsin Supreme Court, “One must conclude the term ‘undue means’ to include a more comprehensive area of acts of fraud and corruption while simultaneously restricting such expanded area of acts to those acts which are inappropriate, unjustified or improper methods of procuring an arbitration award.”\(^{172}\)

By contrast, “undue means” will be absent where the unfair conduct was ancillary or collateral to the award\(^{173}\) or where the arbitrator considered evidence that was merely legally objectionable.\(^{174}\) Where a party offers a defense (or claim) that the arbitrator decides lacks merit, but another party calls this party’s behavior “undue means,” this conduct is part of the business

\(^{170}\) Robinson v. Henne, 115 So. 3d 797, 802 (Miss. 2013). \(\text{See also}\) Doctor’s Associates, Inc. v. Windham, 81 A.3d 230, 237 (Conn. Ct. App. 2013) (to establish “undue means,” a party must prove “nefarious intent or bad faith” or conduct that is “immoral if not illegal”).
\(^{172}\) City of Manitowoc v. Manitowoc Police Dept., 236 N.W.2d 231, 238 (Wis. 1975).
of litigation and has no necessary connotation of wrongfulness or immorality.\textsuperscript{175} If the party opposite had sufficient notice of the other party’s (or the arbitrator’s) alleged misdeeds and through due diligence could have avoided their impact, “undue means” would be absent as well.\textsuperscript{176}

D. \textit{Evident Partiality by an Appointed Neutral Arbitrator or Corruption in any Arbitrators or Misconduct Prejudicing the Rights of Any Party (Tenn. Code Ann. \S 29-5-313(a)(1)(B))}

Tenn. Code Ann. \S 29-5-313(a)(1)(B) is confusing because it lumps together three different types of misconduct, several of which are already covered under other statutes. Thus, the statute in paragraph (a)(1)(B) covers awards reflecting “corruption” or “misconduct,” which is also partially the province of paragraph (a)(1)(A). Another difference is that paragraph (a)(1)(B) applies a “prejudice” requirement for arbitrator “corruption” or “misconduct” but paragraph (a)(1)(A) has no requirement for “prejudice” for awards procured through fraud, corruption or other undue means. The General Assembly should streamline these factors to avoid this duplication and uncertainty.

The remainder of this section of the article will focus on “evident partiality” from Tenn. Code Ann. \S 29-5-313(a)(1)(B), which is unmentioned in any other provision of Tenn. Code Ann. \S 29-5-313(a)(1).\textsuperscript{177}

1. “Evident Partiality” Defined

\textsuperscript{175} A.G. Edwards & Sons, Inc., v McCullough, 967 F.2d 1401, 1404 (9\textsuperscript{th} Cir. 1992).
\textsuperscript{177} The references to “corruption” and “misconduct” in TENN. CODE ANN. \S 29-5-313(a)(1)(B) (1983) have the same interpretation as under TENN. CODE ANN. \S 29-5-313(a)(1)(A) (1983).
An essential attribute of arbitration is a neutral and impartial arbitrator. Courts should be highly scrupulous in assessing the impartiality of arbitrators, even more so than their review of the qualifications of judges. The rationale is that the former class of persons have “free rein” to decide the law and the facts, and arbitral decisions are largely exempt from appellate review. Notably, no requirement exists that the award also be unjust to establish this ground for vacatur. A trial court considering a motion for vacatur on this basis has “sound discretion” to decide the issue.

As just indicated, arbitral discretion is not unlimited under either TUAA or the FAA but complete impartiality or absolute disinterestedness is not the test. Arbitrators are also not subject to the same standard for disqualification as applies to Article III judges in the federal court system. Because proof of actual bias and outright chicanery “[i]s often impossible to uncover, the majority of courts in the United States do not require this high level of proof for arbitrator bias.” Instead, the prevailing test, as in Tenn. Code Ann. § 29-5-313(a)(1)(B), is “evident partiality”-- given the nature of the non-disclosure, evident partiality will be found

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“[w]here a reasonable person would have to conclude that an arbitrator was partial to one party to the arbitration.” 186

The claimant should prevail on an “evident partiality” vacatur challenge where the arbitrator either has an actual conflict or he knows of, but does not disclose, facts that would lead a reasonable person to believe that a potential conflict exists. 187 The “evident partiality” comes from the nondisclosure itself, regardless of whether the underlying information of its own force establishes partiality or bias. 188

The Tennessee Court of Appeals succinctly summarized the standard for this ground of vacatur:

[T]he party challenging the arbitrators' decision must show that a reasonable person would have to conclude that an arbitrator was partial to the other party to the arbitration. The challenging party carries the burden to establish specific facts that indicate improper motives on the part of the arbitrator. The alleged partiality must be direct, definite, and capable of demonstration, and an amorphous institutional predisposition toward the other side is not sufficient because that would simply be the appearance-of-bias standard that [the Sixth Circuit] has previously rejected. [T]he question before this Court is whether

186 Morelight, 748 F.2d at 84. See also 21RICHARD A. LORD, WILLISTON ON CONTRACTS § 57:73 (4th ed. 2001) (addressing arbitrator’s required scope of disclosure); MARTIN DOMKE ET AL., DOMKE ON COMMERCIAL ARBITRATION §§ 25:9 to 25:18 (3d ed. 2008).
187 Gianelli Money Purchase Plan and Trust v. ADM Investor, 146 F.3d 1309, 1312 (11th Cir. 1998).
the party challenging the arbitrators' decision has carried its heavy burden to establish specific facts that indicate improper motives on the part of the arbitrator.¹⁸⁹

The arbitrator’s volitional conduct is needed to prove such grounds.¹⁹⁰ An objective test will apply; the arbitrator’s decision must reflect that a “reasonable person would have to conclude that an arbitrator was partial to the other party in the arbitration.”¹⁹¹ Partiality also requires more than inference or supposition.¹⁹² An excellent way to draw the ire of the courts in this area is where counsel for a moving party makes repetitive and pejorative charges of arbitrator partiality that amount to a “drumfire” of charges barren of factual support that only satisfy the emotional needs of such counsel and their clients and defeat the whole purpose of arbitration.¹⁹³ On the other hand, when entered into evidence in a judicial proceeding, an arbitrator’s self-serving declaration that he tried the case in a fair manner irrespective of the appearance of bias will not necessarily remove the taint.¹⁹⁴

An award regular on its face may be overturned for statutorily-covered arbitrator misconduct and a reviewing court may consider evidence on this issue extrinsic to the

¹⁹⁰ See Tarpley v. Searcy, No. M2000-03094-COA-R3-CV, 2002 WL 870089 at *2 (Tenn. Ct. App. May 7, 2002) (arbitrator not evidently partial to a party where he was unaware at the time of the case that the party was married to his nephew’s ex-wife).
¹⁹¹ Bronstein, 2014 WL 1314843 at 2. See also Morelite Constr. Corp. v. New York City District Council Carpenters Benefit Funds, 748 F.2d 79, 84 (2d Cir. 1984).
¹⁹² Bronstein, 2014 WL 1314843 at *2.
¹⁹⁴ 6 C.J.S. Arbitration § 207 (2014).
arbitrator’s decision.\textsuperscript{195} “A significant caveat, however, is that where the moving party raises a legitimate issue of undue arbitrator partiality, a court should permit limited discovery of the arbitrator. In this way, the moving party will have a fair opportunity to explore the relationship at issue between the arbitrator and the other party.\textsuperscript{196}

Notably, this basis for arbitrator disqualification does not necessarily apply to party-appointed arbitrators whom the courts expect to be partial (and perhaps even partisan) to the side recommending the arbitrator’s appointment.\textsuperscript{197} This test applies only to arbitrators that the parties accept as neutral decision makers.\textsuperscript{198} Neutral arbitrators are not the agent of either party and they sit in a quasi-judicial capacity.\textsuperscript{199} At the same time, however, party-appointed arbitrators, consistent with the parties’ submission, are still required to act in good faith and with integrity and fairness.\textsuperscript{200} Consistent with the liberal policy favoring arbitration of disputes, a court may appoint a substitute arbitrator after upholding vacatur against the award based on arbitrator bias.\textsuperscript{201}

2. Evidence of Partiality

\textsuperscript{195} 4 Am. Jur. 2d \textit{Alternative Dispute Resolution} § 217 (2014). \textit{See also} Team Design v. Gottlieb, 104 S.W.3d 512, 518 n.7 (Tenn. Ct. App. 2002)(an award regular on its face cannot be impeached but may be challenged upon objections that go to the alleged misbehavior of the arbitrators).
\textsuperscript{197} Winfrey v. Simmons Foods, Inc., 495 F.3d 549, 552 (8th Cir. 2007); MARTIN DOMKE ET AL., DOMKE ON COMMERCIAL ARBITRATION § 25:8 (3d ed. 2008) (“bias in a party arbitrator is expected and furnishes no ground for vacating an arbitration award, unless it amounts to “corruption”). \textit{See also} ATSA of California, Inc. v. Continental Ins. Co., 702 F.2d 172, 175 (9th Cir. 1983) (partisan arbitrators are permissible). Under the ABA/AAA Code of Ethics, a party-appointed neutral arbitrator is subject to the same duty of disclosure as any other neutral arbitrator.
\textsuperscript{198} Sunkist Soft Drinks, Inc. v. Sunkist Growers, Inc. 10 F.3d 753, 759 (11th Cir. 1993)(deeming unobjectionable where the party-appointed arbitrator consulted with the party about evidence of record after the former’s appointment and before the hearing). \textit{See also} U.S. Care, Inc. v. Pioneer Life Ins. Co. of Illinois, 244 F. Supp. 2d 1057, 1064 (C.D. Cal. 2002) (citing cases establishing a lower duty of disclosure for party-appointed arbitrators).
\textsuperscript{199} \textit{See} Carroll v. Alsup, 64 S.W. 193, 197 (Tenn.1901); Cowan v. Murch, 37 S.W. 393, 395 Tenn. 1896).
\textsuperscript{200} Sunkist Soft Drinks, Inc. v. Sunkist Growers, Inc. 10 F.3d 753, 759 (11th Cir. 1993).
The relationship raising the concerns must be so substantial personally, socially, professionally or financially from the perspective of a reasonable member of the public aware of all the facts that the relationship casts serious doubt on the arbitrator’s impartiality.\textsuperscript{202} Consistent with the overarching policy that judicial review of arbitration awards is “narrowly limited,” along with the presumption that awards shall be confirmed, the evident partiality basis for vacatur must be “strictly construed.”\textsuperscript{203} Courts are “not quick” to set aside an award for the arbitrator’s failure to disclose information linking the arbitrator in a relationship with a party,\textsuperscript{204} even if such non-disclosure might have violated current ethical norms for arbitrators.\textsuperscript{205} The evidence for a meritorious claim must be “direct, definitive and capable of demonstration” versus being merely “remote, uncertain and speculative.”\textsuperscript{206} Again, the parties’ submission is important in this area, especially when the document establishes ethical rules for arbitrator conduct as a component of the ground rules for the proceeding.

A court will not vacate an award where the only evidence of partiality is that the arbitrator’s decision was unfavorable to the complaining party.\textsuperscript{207} Arbitrators are empowered to decide what is relevant, material and cumulative and to determine the rules of procedure.\textsuperscript{208} Similarly, the courts have concluded that alleged procedural or evidentiary errors, by themselves,
have little or no probative weight that will show bias.\textsuperscript{209} Indeed, courts are so deferential in this area to arbitrators to the point that they place their “faith in the deterrent value of an arbitrator’s concern for his professional reputation, especially where the arbitrator is a lawyer . . .”\textsuperscript{210} Courts are also sensitive to the prospect that an overly-lenient standard of evident partiality could encourage parties to conduct background investigations of arbitrators, which would serve to increase the cost and decrease the finality of arbitration. Another inevitable consequence of such investigations is they would tend to harass arbitrators and to deter them from accepting such service in the future.\textsuperscript{211}

The fact patterns regarding arbitrator misconduct are highly varied.\textsuperscript{212} The courts will examine whether there are inferences from objective facts that do not comport with arbitral impartiality.\textsuperscript{213} A party need not necessarily show proof of “actual bias,” but the evidence must go beyond the mere “appearance of bias.”\textsuperscript{214} Some criteria relevant to the determination of evident partiality are: (1) any personal interest, pecuniary or otherwise, the arbitrator has in the proceeding; (2) the directness of the relationship between the arbitrator and the party he is alleged to favor; (3) the connection of the relationship to the arbitration; and (4) the proximity in

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\textsuperscript{209} See Areca, Inc. v. Oppenheimer & Co., Inc., 960 F. Supp. 52, 57 (S.D.N.Y. 1997)(“federal courts have concluded that evident partiality may not be shown by alleged procedural or evidentiary errors, by legitimate efforts to move the case along, or by failure to follow the rules of evidence.”).
\textsuperscript{211} See Merit Ins. Co. v. Leatherby Ins. Co., 714 F.2d 673, 683 (7th Cir. 1983)(similar statement).
\textsuperscript{212} See 4 AM. JUR. 2d Alternative Dispute Resolution § 220 (2014)(collection of fact patterns showing or not showing partiality).
\textsuperscript{213} Pitta v. Hotel Ass’n of New York City, Inc., 806 F.2d 419, 423 (2d Cir. 1986).
\textsuperscript{214} Applied Indus. Materials Corp. v. Ovaral Makine Ticaret Ve Sanayi, A.S., 492 F.3d 132, 137 (2d Cir. 2007). See also Remmey, 32 F.3d at 148 (also stating that arbitrators “are not held to the ethical standards required of Article III judges”); Commonwealth Coatings, 393 U.S. at 150 (White, J., concurring)(allowing disqualification of arbitrators based on a mere appearance of bias would unnecessarily disqualify the best informed and most capable potential arbitrators”)(relied upon in Morelite, 748 F.2d at 83 n.3); Woods v. Saturn Distrib. Corp., 78 F.3d 424, 427 (9th Cir. 1996) (requiring “reasonable impression of bias”); Sidarma Societa Italiana Di Armamento Spa, Venice v. Holt, 515 F. Supp. 1302, 1307 (S.D.N.Y. 1981) (not enough that the arbitrator’s perspective on the case is colored by his personal business experience or that the arbitrator might expect future business from the parties before him).
time between the relationship and the arbitration proceeding. Another factor can be the "peculiar commercial practices" in the particularly geographic area. Most decisions indicate that a court has no general power to intervene in an ongoing arbitration case, such as a ruling during the proceedings that the judge deems the arbitrator as unfairly biased.

A good example of an insubstantial connection between the arbitrator and a party that does not show undue partiality occurred in Morgan Keegan & Co., Inc. v. Starne. In this case, the arbitrator and a party had a superficial, professional acquaintanceship where they were employed by the same company in different cities more than twenty years before the arbitration. Another situation that is more trivial than probative is where the arbitrator appeared disinterested, shrugged his shoulders, discouraged further statements from the claimant, or even was abrasive. Further, no impropriety exists where the arbitrator merely asks questions of witnesses (which can include cross-examination) to facilitate the proceedings.

3. Arbitrator’s Duty of Self-Investigation and Disclosure

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215 Consolidated Coal Co. v Local 1643, United Mine Workers of America, 48 F.3d 125, 130 (4th Cir. 1995); Sanford Home for Adults v. Local 6, IFHP, 665 F. Supp. 312, 320 (S.D.N.Y. 1987).
217 Compare W.J. Dunn, Annot., Disqualification of arbitrator by court or stay of arbitration proceedings prior to award, on ground of interest, bias, prejudice, collusion or fraud of arbitrators, 65 A.L.R. 2d 755 (1959)(also noting that in some jurisdictions, a court may intervene in the arbitration pursuant to its general equity powers) with Metropolitan Property and Cas. Ins. Co. v. J.C. Penney, 780 F. Supp. 885, 894-96 (D. Conn. 1991)(no categorical prohibition against disqualification of an arbitrator prior to the conclusion of the arbitration)(citing cases)).
220 See Butler v. Boyles, 29 Tenn. 155, 155 (1849); Burton v. Cruise, 118 Cal. Rptr. 3d 613, 622 (Cal. Dist. Ct. App. 2010)(also noting the "conversational" nature of some arbitration proceedings). See also Spector v. Torenberg, 852 F. Supp. 201, 209 (S.D.N.Y. 1994)("[A]n arbitrator is not precluded from developing views regarding the merits of a dispute early in the proceedings, and an award will not be vacated because he expresses his views.").
The arbitrator can have a legal obligation as required by an arbitral contract or the parties’ submission to make a reasonable investigation of nontrivial facts pertaining to his fitness to serve and to disclose to the parties any relationship that raises a question of bias. Where the arbitrator breached the duty of self-investigation, vacatur will be appropriate only where the undisclosed conflict was “real and not trivial.” The arbitrator's failure to disclose the financial or personal relationship, apart from the actual potential for a conflict, may establish the claim of bias. Lower courts have echoed Justice White’s concurring opinion in the U.S. Supreme Court’s decision in Commonwealth Coatings, that “arbitrators would be well advised if they desired their decision not to be subject to the kind of attack here involved if they did as admonished by Mr. Justice White [to] err on the side of disclosure.” Tennessee courts also have stated that a party may waive this ground for relief for purposes of vacatur when the party knowingly remains silent about this problem during the proceedings, raising no objection to the arbitrator’s alleged bias, but decides to complain after the arbitrator issues a decision adverse to that person.


221 See New Regency Productions, Inc. v. Nippon Herald Films, Inc., 501 F.3d 1101 (9th Cir. 2007)(also stating that the arbitrator’s lack of actual knowledge of the presence of a conflict does not excuse non-disclosure where the arbitrator has reason to believe that a non-trivial conflict of interest might exist). Compare Gianelli Money Purchase Plan & Trust v. ADM Investor Servs., Inc., 146 F.3d 1309, 1313 (11th Cir. 1998) (adopting per se rule that a finding of evident partiality will be absent where the arbitrator lacked “actual knowledge of the information upon which an alleged conflict was founded.”). For a comprehensive summary of the case law on arbitrator disclosure of the relationship this official has with the parties, see Hobet Mining Inc. v. International Union, United Mine, 877 F. Supp. 1011 (S.D. W.Va. 1994).


223 Toyota of Berkeley v. Automobile Salesman’s Union, 834 F.2d 751, 756 (9th Cir. 1987)(citing cases).

224 393 U.S. at 150 (White, J., concurring).

225 See U. S. Wrestling Federation v. Wrestling Division of AAU, Inc., 605 F.2d 313, 320 (7th Cir. 1979).

1. The Statutory Standards

An arbitration award must “[d]raw its essence from the agreement of the parties.”\(^{227}\)

Because arbitration is “[a] matter of consent, not coercion,” parties are “generally free” to structure their contracts as they deem appropriate and to specify the ground rules governing the arbitration.\(^{228}\) In keeping with this statement, the Tennessee Supreme Court has said that parties “cannot be forced to arbitrate claims that they did not agree to arbitrate.”\(^{229}\) From the above doctrine comes the rule that the arbitrator’s scope of authority regarding the issues in the case depends on the terms of the parties’ arbitration agreement.\(^{230}\) It bears emphasis that this ground for challenge considers only whether the arbitrator exceeded his delegated powers, which inquiry differs from the relative merits of his decision.\(^{231}\)

An arbitrator’s authority depends upon the matters that the parties’ agreement either covers expressly or that are implied by necessity.\(^{232}\) A number of decisions recognize that the arbitrator’s jurisdiction is defined by both the contract containing the arbitration clause and the


\(^{229}\) Frizzell Constr. Co. v. Gatlinburg, L.L.C., 9 S.W.3d 79, 84 (Tenn. 1999)(cited in T.R. Mills Contractors, Inc. v. WRH Enterprises, LLC, 93 S.W.3d 861, 870 (Tenn. Ct. App. 2002)(also stating that an “indirect agreement” to arbitrate is enforceable as long as it is “clear”). This principle coincides with the common law (pre-TUAA) rule. See, e.g., Mayes v. Myatt, 62 Tenn. 309 (1874).

\(^{230}\) D & E Const. Co. v. Robert J. Denley Co., Inc., 38 S.W.3d 513, 518 (Tenn. 2001); Arnold, 914 S.W.2d at 450; International Talent Group, Inc. v. Copyright Mgmt. Co., 769 S.W.2d 217, 218 (Tenn. Ct. App. 1988). See also Williams Holding Co. v. Willis, 166 S.W.3d 707, 711 (Tenn. 2005); Davis v. Reliance Elec., 104 S.W.3d 57, 61 (Tenn. Ct. App. 2002)(so long as the arbitrator is acting within his scope of authority, “the fact that a court is convinced he committed serious error does not suffice to overturn his decision.”).


\(^{232}\) Quinn, 257 S.W.3d at 799.
submission agreement which illuminates that agreement. Accordingly, an arbitrator exceeds his power “[w]hen he rules on issues not submitted to him by the parties” or “grants relief not authorized in the arbitration agreement.” Thus, for example, an arbitration clause in an employment contract does not necessarily require the employee to submit a complaint under the Tennessee Human Rights Act to arbitration.

In assessing the issue of party intent in a submission or contract, courts often consider the correspondence regarding the contentions in the demand for arbitration and related documents. Where the clause broadly requires the arbitration of all disputes arising from the agreement-- unlike a narrower clause that limits arbitration to specific disputes-- the clause reaches all aspects of the parties’ agreement and the presumption favoring arbitrability applies even more strongly. These principles stem from case law that “[c]ourts must give an arbitration agreement as broad a construction as the words and intentions of the parties will allow.”

Where a claimant in a contract dispute alleges that the arbitrator exceeded his authority, the record must show that the arbitrator did not rely upon his personal opinion about the parties’

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233 Executone Information Systems, Inc. v Davis, 26 F.3d 1314, 1323 (5th Cir. 1994)(also noting that by their conduct parties can agree to submit an issue to the arbitrator that they were not compelled to submit according to their agreement); D & E Const. Co. v. Robert J. Denley Co., Inc., 38 S.W.3d 513, 518 (Tenn. 2001)(“scope of an arbitrator’s authority is determined by the terms of the agreement between the parties which includes the agreement of the parties to arbitrate the dispute”).
238 Neal v. Hardee’s Food Sys., 918 F.2d 34, 37-38 (5th Cir. 1990).
239 AT&T Technologies, Inc. v. Communications Workers of America, 475 U.S. 643, 650 (1986); McDonnell Douglas Finance Corp. v. Pennsylvania Power & Light Co., 858 F.2d 825, 832 (2d Cir. 1988). For a decision reconciling an agreement containing both a narrow and a broad arbitration clause, see Blue Tee Corp. v. Koehring Co., 999 F.2d 633 (2d Cir. 1993).
contractual intent or on his own conceptions of sound public policy. Instead, the courts will decide the scope of arbitrator authority by interpreting the arbitration terms of the agreement under “ordinary state law principles” of party intent. In deciding whether the arbitrator exceeded his authority, courts resolve “all doubts in favor of arbitration.” In fact, “It has been said that an arbitration clause is enforceable unless it can be said with positive assurance that it is not susceptible of an interpretation that would cover the asserted dispute.” FAA decisions on this point are persuasive authority in TUAA cases.

2. Role of Contract Interpretation

The controlling issue is not whether the arbitrator construed the parties’ contract correctly, “but whether he construed it at all.” Where an arbitration clause covers a specific type(s) of dispute(s), a court cannot require arbitration on claims outside that scope; thus, for example, where the clause covers “all factual disputes” between the parties, the clause cannot compel arbitration of “all legal and factual matters in dispute between the parties.” Another example of such a limitation is an arbitrator may not award relief in excess of the dollar limit the parties accepted in their agreement. Tennessee courts also recognize that when the parties employ a broad arbitration clause covering numerous items, it will be correspondingly more

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difficult for a party to argue that a dispute is outside the agreement. The above doctrines are entrenched in Tennessee arbitration jurisprudence, predating TUAA by many years.

In labor disputes, arbitrators frequently construe collective bargaining agreements; so long as the arbitrator draws his interpretation “from the essence” of the agreement (which concept is interpreted “expansively”) and does not “dispense his own brand of industrial justice,” the arbitrator’s decision will likely stand. The same approach exists in commercial arbitration and so the collective bargaining cases may properly be cited as persuasive authority on cognate issues in commercial arbitration cases. While the Labor Relations Act of 1947, as amended, (and not the FAA) governs labor arbitration, courts commonly cite labor arbitration cases, which are subject to the federal common law of labor relations, in arbitration cases subject to the FAA.

A less frequently cited doctrine, but equally valid, is that even where an arbitration agreement does not cover a particular issue the parties by their knowing conduct during

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249 See Jackson v. Chambers, 510 S.W.2d 74, 76 (Tenn. 1974)(citing Mays v. Myatt, 62 Tenn. 309 (1874) for the proposition that “The arbitrators had no authority to go in their inquiries beyond the powers delegated by the terms of the submission”).
250 Executone Information Systems, Inc. v Davis, 26 F.3d 1314, 1324 -25 (5th Cir. 1994). See also Michigan Mut Ins. Co. v. Unigard Sec. Ins. Co., 44 F.3d 826, 830-31 (9th Cir. 1995)(good discussion of “essence of the contract”) (also suggesting that an award does not draw its essence from the contract if the arbitrators exceeded their powers in crafting the award, if the award is contrary to public policy, or if the arbitrators acted in manifest disregard of the law”); International Board of Teamsters, Local 519 v. United Parcel Service, 275 F. Supp. 2d 944 (E.D. Tenn. 2001), vacated on other grounds, 335 F.3d 497 (6th Cir. 2003)(discussing “essence” of the agreement).
252 Johnson Controls, Inc. v. Edman Controls, Inc., 712 F.3d 1021, 1026 (7th Cir. 2013). Section One of the FAA does not apply to employment contracts, but this exclusion is itself narrowly construed. See THOMAS E. CARBONNEAU, THE LAW AND PRACTICE OF ARBITRATION 120-31 (3d ed. 2009).
arbitration may agree to send an issue to the arbitrator for resolution. As an FAA decision pointed out,

It is a fundamental contract principle that a contract provision may be modified by the actions or expressions of the parties. The practical construction or interpretation of a contract by the parties is an important indication of the intent of the parties and courts give great weight to such interpretations. Few things can better evidence the meaning of a contract than the actions of the parties themselves.

As indicated above, the most common question on this theory of vacatur is whether the arbitrator has stayed within the bounds of his appointed authority. Under the analogous FAA, the decisions have “consistently accorded the narrowest of readings” on whether the arbitrator has exceeded his powers. Although some courts hold that the arbitrator’s interpretation of the scope of his conferred authority does not bind a reviewing court, other decisions state that the parties, by consent, may confer this authority on the arbitrator. In any event, the arbitrator’s determination of the scope of his delegated authority must be subservient to the parties’ interpretation of the arbitration agreement. On the other hand, the better view is that courts are not bound by an arbitration agreement stating the award shall be final on all questions of law and

257 RliaStar Life Ins. Co. of N.Y. v. EMC Nat. Life Co., 564 F.3d 81, 85 (2d Cir. 2009); DiRussa v. Dean Witter Reynolds, IN., 121 F.3d 818, 824 (2d Cir. 1997).
259 Synergy Gas Co. v. Sasso, 853 F.2d 59, 63-64 (2d Cir. 1988)(“the scope of authority of arbitrators generally depends on the intentions of the parties to an arbitration and is determined by the agreement or submission”).
fact. The reason is that such a term effectively deprives an aggrieved party of its statutory right to seek vacatur of an improper award.  

3. Ambiguity in Arbitration Agreements/Arbitrator Decisions

A number of cases address whether a vacatur action may lie because the arbitrator’s award decision is ambiguous. A mere ambiguity in an opinion accompanying an arbitration award on whether the arbitrator exceeded his authority is insufficient for vacatur. Another possibility for vacatur is that the parties’ submission or the arbitration agreement was ambiguous on which issues are arbitrable.

Under settled law, courts must strongly consider the policy favoring arbitration and construe any ambiguities on arbitrability in favor of arbitration. Another principle of interpretation that can reconcile conflicting contractual language is that a court may order arbitration of claims under one agreement that is part of a larger agreement that contains an arbitration clause. A court may even go so far as to conclude that the “nature of the award itself” may cure the ambiguity.


\[262\] Volt Information Sciences, Inc. v. Board of Trustees of Leland Stanford, Jr. Univ., 489 U.S. 468, 475 (1989); Local U. No. 336 v. Detroit Gasket & Mfg. Co., 521 F. Supp. 39, 40 (E.D. Tenn. 1981) (“Consequently, although the parties are bound to arbitrate only those disputes they have agreed to arbitrate, all doubts or ambiguities must be resolved in favor of arbitration”).


\[264\] Sheet Metal Workers Intern. Ass’n Local Union No. 420 v. Kinney Air Conditioning Co., 756 F.2d 742, 745 (9th Cir. 1985).
The easiest way to avoid an ambiguity on arbitrability is that if a party believed that an agreement on a particular issue should not be subject to arbitration, it can say so in the contract.\textsuperscript{265} In keeping with the policy to uphold arbitration awards wherever possible, if the arbitration decision goes beyond a mere ambiguity and is so ambiguous that the award cannot be interpreted, the courts may not vacate but should be able to remand the case to the arbitrator(s) below for clarification.\textsuperscript{266}

A sound reason exists for requiring a substantive, material ambiguity for vacatur instead of a technical one. First, submissions by the parties and opinions prepared by arbitrators rarely reach the level of sophistication characteristic of judges. It would be unrealistic to expect that the parties in their agreement or the arbitrator(s) in their opinions can avoid all uncertainty or lack of clarity. If the rule were otherwise, parties dissatisfied with the award decision would simply go on a hunt for ambiguity in the agreement or the opinion and compel courts to overturn the award for apparently harmless errors. Second, if the broader rule were the standard, it would prompt arbitrators to “play it safe by writing no supporting opinions [and thereby] lead to an undesirable result because a well-reasoned opinion would engender confidence in the integrity of the process and aid in clarifying the underlying agreement.”\textsuperscript{267} Thus, courts will resolve any ambiguity in the award decision, if possible, in favor of an interpretation that supports confirmation of the

\begin{footnotes}
\footnotetext[267]{United Steelworkers of America v. Enterprise Wheel & Car Corp., 363 U.S. 593, 598 (1960).}
\end{footnotes}
In fact, courts go so far as to say that “The showing required to avoid confirmation of an arbitration award is very high.”

4. Gaps in Arbitration Agreements/Arbitrator Decisions

Another problem related to ambiguity is what course of action should an arbitrator take when the submission is silent on the precise question in controversy? Although some case law supports the view that “arbitrators cannot change or alter the terms of the contract between the parties,” other decisions indicate the arbitrator may “look beyond the written contract” if the contract has such a gap. When facing such a contractual gap, the arbitrator can overcome potential objections that he lacked the authority to decide such questions if he relies on established precepts of contract construction. Similar principles govern arbitration agreements and arbitrator decisions.

Although some Tennessee decisions reference the principles of contractual ambiguity to resolve the problem of missing language, the more appropriate approach is that a gap in an agreement or a decision cannot be interpreted one way or another because there is no language to

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271 Delta Queen Steamboat Co. v. District 2 Marine Engineers, 889 F.2d 599, 602 (5th Cir. 1989).
272 See Adams TV of Memphis, Inc. v. International Broth. of Electrical Workers, AFL-CIO, Local 274, 932 S.W.2d 932, 935 (Tenn. Ct. App. 1996) (where a collective bargaining agreement provided that an employee could be discharged for just cause, but was silent on the procedures, the arbitrator properly devised the procedures).
construe.\textsuperscript{273} The whole point of a gap is that there is no coverage for the particular issue. The better view is the document can be saved, however, where established notions of offer and acceptance can overcome the contractual silence. Alternatively, the \textit{Restatement (Second) of Contracts}, Section 208, can provide a solution. The \textit{Restatement} states that when the bargain is sufficiently defined to be a contract, but they have not agreed on a point essential to the determination of their rights and duties, a court (and inerentially an arbitrator) may supply a term that is reasonable under the circumstances.\textsuperscript{274}

Another alternative to resolve an interpretive gap is the case law doctrine that a contract term may be implied, even though not stated expressly, when the reviewing authority can “plainly determine from the agreement that the obligation or duty was necessarily or indispensably included within the contemplation of the parties so that they deemed it unnecessary or too obvious to mention, or where the term is needed to give effect to the bargain.”\textsuperscript{275} Lastly, some decisions authorize “equitable considerations in resolving a dispute upon which the contract is silent.”\textsuperscript{276} This approach would find favor under the broad principle that the courts in deciding arbitration disputes may rely upon equitable and policy considerations.\textsuperscript{277} Further, this approach comports with the judicial policy to uphold arbitration awards wherever possible.

5. Limits on Grants of Relief

\textsuperscript{274} See \textit{id.} at § 8:58.
\textsuperscript{275} See \textit{id.} at § 8:21.
\textsuperscript{276} Executive Life Ins. Co. of New York v. Alexander Ins. Ltd., 999 F.2d 318, 320 (8th Cir. 1993).
\textsuperscript{277} \textit{Id.}
An arbitrator may still act within his authority, and the award will not be vacated under Tenn. Code Ann. § 29-5-313(a)(1)(C), even if a court could not grant the same relief in similar circumstances. Perhaps the best example of this scenario is that while a court may not ignore the applicable law in granting relief to a party, arbitrators making a fair and honest decision do not operate under the same constraint. “As long as the arbitrator is, arguably, construing or applying the contract and acting within the scope of his authority, the fact that a court is convinced he committed serious error does not suffice to overturn his decision.”

Courts further advise that the issue is not whether the arbitrator got the contract’s meaning right or wrong. The arbitrator’s construction will be upheld, no matter “good, bad, or ugly.” Putting it more bluntly, no requirement exists for an arbitrator to follow the law in resolving the dispute because courts simply review whether the arbitrator acted within his powers and not whether he did so correctly. The parties contracted for the arbitrator’s opinion and so they must live with the consequences of their agreement, however mistaken the arbitrator’s decision. Where so inclined, and nothing else appearing, the arbitrator may decide the case on “broad principles of fairness and equity.”

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280 Southern Communications Services, Inc. v. Thomas, 720 F.3d 1352, 1360 (11th Cir. 2013).


The arbitrator’s choice of remedy in vacatur cases merits even more deference than his reading of the underlying contract. 285 Thus, if the arbitrator is so inclined, he may order specific performance of the contract.286 The only exception is that a remedy will be off the table if the arbitration agreement or the parties’ submission expressly or implicitly forbids the remedy or if the agreement states that another remedy shall be exclusive.287 When the claimant receives an award, practitioner in devising their strategy should be prepared to suggest beneficial avenues of relief that the arbitrator might otherwise overlook.

F. The Arbitrators Refused to Postpone the Hearing upon Sufficient Cause or Refused to Hear Material Evidence at the Hearing or Otherwise Conducted the Hearing as to Prejudice Substantially the Rights of a Party (Tenn. Code Ann. 29-5-313(a)(1)(D))

1. Party Discretion and Rules of Procedure

Before striking their deal, parties to a prospective arbitration rarely dicker about arbitration terms because few rational parties would enter into a contract they think will descend into disagreement and dispute. To minimize the potential for disputes and other difficulties, many parties in arbitrations employ standard forms and procedures, such as the standard agreements and uniform rules of the American Arbitration Association, the American Bar Association Code of Ethics for Arbitrators in Commercial Disputes, and like organizations. These standard forms alleviate to an extent any unfairness or inconsistency potentially resulting

285 Timegate Studios, Inc. v. Southpeak Interactive, L.L.C., 713 F.3d 797, 803 (5th Cir. 2013)(also stating that a remedy would be unauthorized only if “no rational way” exists to explain the remedy as a “logical means of furthering the aims of the contract”).
286 MARTIN DOMKE ET AL., DOMKE ON COMMERCIAL ARBITRATION § 35:3 (3d ed. 2008).
from the arbitrator’s administration of the applicable procedures. These formats also save parties from predicting what could be issues difficult to forecast at the time of award. 288 Although these rules and procedures “do not have the force of law,” 289 once the claimant and respondent adopt these rules, nothing else appearing, the parties are bound by them. 290

In arbitration, the parties may agree upon “virtually any procedure they desire” absent illegality or violation of public policy. 291 A rebuttable presumption of fairness attaches to those mutually adopted procedures. 292 Thus, nothing wrong exists with an informal and even relaxed hearing atmosphere. 293 If they choose, parties can dispense with a hearing. 294 They even may provide for a specific arbitration process that would exclude a hearing. Nevertheless, absent such a valid waiver or the failure to provide for a specific arbitration process that lacks a hearing, Tenn. Code Ann. § 29-5-306 is mandatory on the hearing procedure. This lengthy statute provides in pertinent part, “The parties are entitled to be heard, to present evidence material to the controversy and to cross-examine witnesses appearing at the hearing.” 295

In essence, the statutory hearing promised by TUAA in Tenn. Code Ann. § 29-5-306 will become a contract term implied by law irrespective of its physical omission from the

293 Remmey, 32 F.3d at 148-49.
294 See also 21 RICHARD A. LORD, WILLISTON ON CONTRACTS § 57:94 (4th ed. 2001)(addressing party’s waiver of a hearing).
agreement.\(^{296}\) By contrast, while a party has no pre-hearing statutory right to discovery of potentially relevant evidence,\(^{297}\) where the parties’ agreement provides for discovery or where the arbitrator otherwise allows discovery, an arbitrator’s prejudicial discovery rulings can be ground for vacatur when they were in bad faith or so grossly incorrect as to amount to affirmative misconduct.\(^{298}\)

2. Burden of Proof

Where the party alleges that the arbitrator acted improperly in failing to postpone the hearing for what the party deemed to be good cause, which is a ground for complaint under Tenn. Code Ann. § 29-5-313(a)(1)(D), the burden of proof is high. In addition to showing that the arbitrator’s decision “substantially prejudiced” the party’s rights, the movant must show that the alleged arbitral misconduct stemmed from bad faith or gross error and caused the denial of “fundamental fairness” of the arbitration itself.\(^{299}\) The burden is high in part because courts give arbitrators “a degree of discretion” in deciding whether to grant a requested postponement.\(^{300}\) The movant also must show by clear and convincing proof that the arbitrator abused that discretion insofar as his decision precluded the party from making a full presentation of its

\(^{296}\) See generally Wasco, Inc. v. R.P. Industries, Inc., No. 01-A-01-9407-CH00343, 1994 WL 706663 at *3 (Tenn. Ct. App. Dec. 21, 1994) (stating that “laws affecting either the construction, enforcement or discharge of a contract which subsist at the time and place of the making of a contract and where it is to be performed, enter into and form part of it as fully as if they had been expressly referred to or incorporated in its terms.”). See also 21 RICHARD A. LORD, WILLISTON ON CONTRACTS § 57:24 (4th ed. 2001): “In statutory arbitration, the terms of the statute are by implication a part of the arbitration agreement.”


\(^{298}\) See United Paperworkers Int’l Union, AFL–CIO v. Misco, Inc., 484 U.S. 29, 40 (1987) (reversing the lower court’s granting of a motion to vacate because, even assuming “that the arbitrator erred in refusing to consider the disputed evidence, his error was not in bad faith or so gross as to amount to affirmative misconduct”).


case by foreclosing “pertinent and material evidence.” The other reason the burden is high is that with fewer procedural rules arbitrators can conduct the proceedings quicker and cheaper.

3. Arbitrator Discretion in Allowing Evidence

Cases construing a similar ground for vacatur under the FAA or the Uniform Arbitration Act illustrate the narrow scope of the policy of Tenn. Code Ann. § 29-5-313(a)(1)(D) in regard to the receipt of evidence. Because arbitrators are not required to follow “all the niceties” observed in conventional litigation, the rules of evidence are typically relaxed in arbitration hearings. Thus, for example, arbitrators are not bound by the parol evidence rule and hearsay proof can be proper. Accordingly, the arbitrator’s use of the wrong evidentiary standard or his acceptance of evidence otherwise inadmissible in court will not necessarily justify vacatur.

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303 Ebasco Constructors, Inc. v. Ahtna, Inc., 932 P.2d 1312, 1315-16 (Alaska 1997) (review of arbitrator procedural decisions should be extremely deferential) (also observing that challenges are rarely successful to arbitrator determinations to deny a continuance). See also Sheet Metal Workers Intern. Ass’n Local No. 162 v. Jason, 900 F.2d 1392, 1398 (9th Cir. 1990) (observing that a party must have good cause for requesting a continuance but that the “arbitrary denial” of a continuance request “may” serve as a ground for vacatur). For the Tennessee decisions on a trial court’s discretion to rule on a motion for continuance, an apt analogy in arbitration cases, see Box v. Gardner, No. W2012–00631–COA–R3–CV, 2012 WL 6697579 at *3 (Tenn. Ct. App. Dec. 26, 2012).
304 Tempo Shain, 120 F.3d at 20 (quoting Bell Aerospace Co. Div. of Textron v. Local 516, 500 F.2d 921, 923 (2d Cir. 1974)).
This policy for relaxed procedural rules dates back to the common law of arbitration.\textsuperscript{309} Courts are lenient in this area because parties typically select arbitrators for their special skill or knowledge of the subject matter, not necessarily for their legal acumen. Indeed, the parties may select arbitrators for the very reason that they may need little or no evidence to make a particular finding on either the fact of liability or compensation due the claimant:

In general, arbitrators who are selected because of their special fitness or knowledge may, in the absence of other restrictions, rely wholly or partly on their knowledge or on information they may possess. Unlike a court or jury, which is to rely only on the facts presented by witnesses at a trial, arbitrators may draw on their personal knowledge in making an award. Thus, evidence need not necessarily be heard where experts are chosen as arbitrators and the parties rely on the knowledge of those experts in making the award.\textsuperscript{310}

A related issue is that arbitrators have no requirement to allow parties the leeway to introduce every item of relevant proof; the guidance is that the arbitrators need only have “enough evidence to make an informed decision.”\textsuperscript{311} Therefore, arbitrators have “broad discretion” to decide whether additional evidence is necessary or would merely prolong the proceedings.\textsuperscript{312} As just indicated, courts will balance the policies of arbitrators’ needing

\textsuperscript{309} Ryan v. Reed Air Filter Co., 11 Tenn. App. 472 (1930).
\textsuperscript{310} 21 RICHARD A. LORD, WILLISTON ON CONTRACTS § 57:79 (4th ed. 2001).
\textsuperscript{311} In re Consolidated Arbitrations Between A.S. Seateam, No. 97 CIV. 0214(MBM), 1997 WL 256949 at *9 (S.D.N.Y. May 16, 1997).
\textsuperscript{312} 563 Grand Medical PC. v. New York State Ins. Dep’t, 787 N.Y.S.2d 613, 616 (Sup. Ct. 2004). See also Lessin v. Merrill Lynch, Pierce, Fenner & Smith, Inc., 481 F.3d 813, 817 (D.C. Cir. 2007)(arbitrator has authority to decide whether preferred evidence is merely cumulative).
sufficient evidence to make an informed decision versus the policy against compromising the speed and efficiency of arbitration. 313

The upshot is that arbitrators are not bound to hear all of the evidence that the party wishes them to consider; however, the arbitral panel must give each of the parties to the dispute, consistent with a party’s right to a “fair hearing,” an adequate opportunity to present its evidence and arguments. 314 Even when the evidence is pertinent, material, and admissible, a reviewing court considering a requested vacatur based on the arbitrator’s exclusion of such evidence must find that the arbitrator’s exclusion was both prejudicial to the proffering party and inconsistent with fundamental fairness. 315 “Prejudice” in this context means that the moving party must show that but for the arbitrator’s mistaken ruling on the receipt of evidence, the arbitrator should have made a different award. 316 Accordingly, courts will grant vacatur on this ground only with “the most egregious error” that prejudices the aggrieved party’s right to a fair hearing. 317 Notably, such error does not include allegations based on newly-discovered evidence. 318

Some special rules govern in this area. One rule of evidence peculiar to arbitration cases is an arbitrator’s award in a prior arbitration case—even between the same parties—is not

316 Employers Ins. of Wausau, 933 F.2d at 1490.
necessarily precedential and does not preclude either party from raising the same issues subsequently.\footnote{See Westvaco Corp. v. Local 579, United Paperworkers, Intern., Civ. A. No. 90–30091–F, 1992 WL 121372 at *7 (D. Mass. Mar. 5, 1992)(good discussion).} Another requirement is that to preserve a ground of error in anticipation of a hearing in court, the aggrieved party during the proceeding must have made clear its objection and tendered an offer of proof during the arbitration process.\footnote{See Terk Technologies Corp. v. Dockery, 86 F. Supp. 2d 706, 709 (E.D. Mich. 2000); Farm Constr. Service, Inc. v. Robinson, 487 N.E.2d 873, 873 (Mass. Ct. App. 1986). Alan R. Gilbert, Annot., Refusal of arbitrators to receive evidence, or to permit briefs or arguments, on particular issues as grounds for relief from award, 75 A.L.R.3d 132 (1977).} Reviewing courts will not consider challenges to an arbitrator’s findings on witness credibility.\footnote{Fairbanks Municipal Utilities System v. Lees, 705 P.2d 457, 462 (Alaska 1985) (absent a showing of corruption, fraud, or undue means in obtaining an arbitration award, arbitrator’s failure to consider credibility evidence pertaining to a party insufficient to establish vacatur).}

Another predicate for preserving an argument for judicial review is that the record must show that the appellant requested this opportunity to submit additional evidence and the arbitrator denied the movant this right. Thus, in a 2000 Tennessee Court of Appeals decision, the appellant argued that it had witnesses ready to testify and that the arbitration panel improperly refused to hear this evidence. The problem for the plaintiff was that the record failed to show that the plaintiff requested this opportunity to present the witnesses or that the panel ruled to the contrary.\footnote{Rebound Care Corp. v. Universal Constructors, Inc., No. M1999-00868-C0A-R3-CV, 2000 WL 758610 at *8 (Tenn. Ct. App. June 13, 2000).} Accordingly, the court of appeals rejected the appellant’s assignment of error.

This ground from Tenn. Code Ann. § 29-5-313(a)(1)(D) is sometimes closely-related to the ground that the arbitrator was guilty of misconduct at the proceedings as provided in Tenn. Code Ann. § 29-5-313(a)(1)(B). Thus, in other jurisdictions, courts have upheld vacation of an award where the arbitrator improperly and prejudicially refused to grant an adjournment at the
hearing, thereby preventing the party from submitting material evidence on its behalf. These cases also would be sound authority in Tennessee.

**G. No Arbitration Agreement Existed and the Issue was Not Adversely Determined at the Proceeding and the Party Participating in the Hearing Raised an Objection (Tenn. Code Ann. § 29-5-313(a)(1)(E))**


The purpose behind the statute is straightforward. The statute prohibits a party from claiming no arbitration agreement exists without first giving the trial court or the arbitrator an opportunity to decide before arbitration whether an arbitration agreement does in fact exist . . . . Once an unfavorable award was made, [a party] cannot then claim there was no agreement to arbitrate. Litigants are not allowed to submit issues to arbitration without objecting on the basis that no arbitration agreement exists, and then object if an adverse award is handed down. Such a “lie and wait” attitude would eviscerate the arbitration process.325

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325 *Tengasco*, 2001 WL 1105395 at *6. See also Anderson County v. Architectural Techniques Corp., No. 03A01-9303-CH-00110, 1993 WL 346473 (Tenn. Ct. App. Sept. 9, 1993)( no proof that the appellants “did not participate in the arbitration hearing without raising the objection” [that there was no arbitration agreement].”).
If the arbitration agreement is voidable at the option of the party, such as where an infant lacks capacity and does not ratify the transaction, this circumstance would be an example of “no arbitration agreement” under the statute.\(^{326}\) Regarding the theory of vacatur, a party waives any claimed error made during the course of arbitration by failing to voice a specific objection before the arbitrator.\(^{327}\)

**H. Early Common Law (Non-Statutory) Grounds for Vacatur**

Tennessee has a long history of arbitration rules and procedures predating the TUAA by many years with cases decided well before the turn of the 20\(^{th}\) century. The question becomes whether the common law grounds for vacatur from that era are good law in the 21\(^{st}\) century.

The status of common law, as opposed to statutory, arbitration is uncertain in Tennessee. The 1968 Tennessee Supreme Court case of *Meirowsky v. Phillips*\(^{328}\) upheld the common law rule that a party can revoke an agreement to arbitrate future dispute at any time before the arbitrator has rendered a valid award. The Tennessee Supreme Court as late as 1976 fully endorsed *Meirowsky*.\(^{329}\) Notably, the cases yet to be overruled show Tennessee courts have applied common law arbitration since the early nineteenth century (as will be seen below). It also follows that if common law arbitration survives, then common law grounds for vacatur remain viable.

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\(^{327}\) Id. at § 57:95.

\(^{328}\) 432 S.W.2d 885, 887 (Tenn. 1968)(also stating that with existing disputes, a party could be subject to an action for damages for breach of the agreement).

\(^{329}\) Cavalier Ins. Corp. v. Osment, 538 S.W.2d 399, 403 (Tenn. 1976). For additional discussion of common law arbitration, see 4 AM. JUR. 2d Alternative Dispute Resolution § 207 (2014).
Prior to TUAA, the Tennessee Supreme Court in a 1974 decision approved, with regard to agreements to arbitrate future disputes, the long-standing notion of common law arbitration. Accordingly, where the agreement to arbitrate was never entered of record in any court, “the common law is applicable.”\textsuperscript{330} In the last case to consider the continuing vitality of \textit{Meirowsky}, the Tennessee Supreme Court in 1982 did not address this question.\textsuperscript{331} Notably, when the Tennessee Supreme Court issued \textit{Meirowsky}, as well as in earlier decisions,\textsuperscript{332} common law arbitration co-existed with a pre-TUAA statutory program on arbitration for existing disputes, Tenn. Code Ann. §§ 23-501 et seq.. This line of authority--which has not been overruled--indicates that the Tennessee Supreme Court sees no inherent conflict with a dual track system of common law and statutory arbitral remedies, including vacatur.

Recent pronouncements from Tennessee appellate decisions are that TUAA’s legislative intent is to “[s]everely limit judicial review of arbitration awards” and to limit the grounds for vacatur to the “express grounds in the statutes.”\textsuperscript{333} These observations would tend to indicate that the common law version of arbitration (and common law vacatur) is extinct and supplanted by statute. In actuality, a number of other state court decisions have considered this precise question on the relation of common law and statutory arbitration. The cases are of two minds on this point.

\begin{footnotesize}
\begin{enumerate}
\item[330] Jackson v. Chambers, 510 S.W.2d 74, 76 (Tenn. 1974).
\item[332] See infra notes 349-356 and accompanying text.
\item[333] Arnold, 914 S.W.2d at 450; Warbington, 66 S.W.3d at 858. In Tu etken v. Tu etken, 320 S.W.3d 262, 270 (Tenn. 2010), the Tennessee Supreme Court reaffirmed its holding in Pugh's [Lawn Landscape Co., Inc. v. Jaycon Development Corp., 320 S.W.3d 252 (Tenn. 2010).], stating: “We take this opportunity to reaffirm our holding in Pugh's that the judicial review of an arbitrator's award is confined to the grounds enumerated in the TUAA.”
\end{enumerate}
\end{footnotesize}
Some jurisdictions hold that because arbitration statutes are in derogation of the common law and shall be strictly construed, common law (non-statutory) grounds are not available.\footnote{4 AM. JUR. 2d Alternative Dispute Resolution § 207 (2014).} Some policy reasons for this position are there would be increased judicial disapproval of awards and that even the prospect of greater judicial disapproval would increase costs, reduce efficiencies, and undermine the finality of arbitration awards.\footnote{Coors Brewing Co. v. Cabo, 114 P.3d 60, 65 (Colo. Ct. App. 2004).} The many definitions of common law arbitration would also increase the difficulty of deciding whether such a basis for vacatur has merit.\footnote{Id. at 61.}

As will be explained in greater detail below, the better view is that common law arbitration (and common law vacatur) survive in Tennessee as a supplement to statutory arbitration. A more searching review based on the common law could properly serve as a basis for vacating or modifying arbitration awards. As the United States Supreme Court in its 2008 decision of \textit{Hall Street Associates, L.L.C. v. Mattel, Inc.}\footnote{552 U.S. 576 (2008).} said about the FAA, “The FAA is not the only way into court for parties wanting review of arbitration awards; they may contemplate enforcement under state statutory or common law, for example, where judicial review of different scope is arguable.”\footnote{Id. at 590 (emphasis supplied).} Because the Tennessee Supreme Court in 2010 specifically endorsed the \textit{Hall Street} reasoning and rationale in \textit{Pugh’s Lawn Landscape Co., Inc. v. Jaycon Development Corp.}\footnote{320 S.W.3d 252 (Tenn. 2010). \textit{See also id. at 259: “Parties “may contemplate enforcement under state statutory or common law, for example, where judicial review of different scope is arguable (quoting Hall Street).”}} as a “guide” for Tennessee arbitration jurisprudence, a good argument exists that if the common law arbitration (and vacatur) theory survives at the federal level, it continues to co-exist as a form of non-statutory vacatur under Tennessee law.
Although no post-TUAA decision squarely addresses the point, this conclusion in favor of dual track statutory and common law arbitration (and vacatur) rests on settled rules of Tennessee statutory construction. As stated by a respected authority, where a state law abolishes common law arbitration, common law arbitration is no longer viable, but where no repeal or modification is evident from the legislation, “that state continues to recognize common law arbitration.” This is exactly what happened with TUAA, which is silent on any wholesale abolishment of the common law remedy of arbitration. Indeed, as far back as 1873, in considering whether common law arbitration survived the enactment of a statutory arbitration regime, the Tennessee Supreme Court explicitly answered the question in the affirmative--and the case has never been overruled.

Simply put, if the legislation does not abrogate the common law action, the remedies become cumulative. Our courts have stated,

Where a common law right exists, and a statutory remedy is subsequently created, the statutory remedy is cumulative unless expressly stated otherwise. Further, the Legislature is presumed to know the state of the law on the subject under consideration at the time it enacts legislation.

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341 Meirowsky v. Phipps, 432 S.W.2d 885, 886 (Tenn. 1968); Halliburton v. Flowers, 59 Tenn. 25 (1873)(“The provisions of the Code as to arbitration . . . have added to, not abrogated, the common law upon the subject . . .”). See generally 6 C.J.S. Arbitration §§ 4, 7 (2014)(noting rule in some jurisdictions that statutory arbitration does not abrogate common law arbitration but that the statutory and common law methods of arbitration are distinct, concurrent, supplementary, and cumulative remedies aiming at the same result); MARTIN DOMKE ET AL., DOMKE ON COMMERCIAL ARBITRATION § 6:2 (3d ed. 2008); Sturges and Reckson, Common-Law and Statutory Arbitration: Problems Arising from Their Coexistence, 46 Minn. L. Rev. 819 (1962).
342 Halliburton v. Flowers, 59 Tenn. 25 (1873).
343 Hodges v. S.C. Toof & Co., 833 S.W.2d 896, 899 (Tenn. 1992). The legislature frequently provides that a given statutory remedy is exclusive but it did not make this statement for TUAA. Compare Hodges, 833 S.W.2d at 899 n.1.
For the same reasons, where statutory and common law arbitration co-exist a party may be entitled to invoke common law arbitration (and vacatur) where statutory arbitration is unavailable. Importantly, where the agreement to arbitrate does not clearly address whether the arbitration statute or the common law doctrine applies, “[t]hen common law rules control the review of an award.” Adding further weight to these arguments, several respected commentaries classify Tennessee as recognizing common law arbitration.

Perhaps the most compelling argument why common law arbitration (and vacatur) survive in Tennessee comes from the history of the Uniform Arbitration Act, which was first promulgated in 1955 and which the General Assembly adopted in TUAA (Tennessee has not enacted the Revised Uniform Arbitration Act of 2000). As one authority observes,

The Uniform Arbitration Act (UAA) of 1955 did not explicitly either preserve or exclude common-law arbitration; it was simply silent on the subject. Significantly, however, the Committee of the Whole on the Uniform Arbitration Act stated that the Uniform Act was not intended to abrogate common-law arbitration. Thus, the general rule remains that

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344 1 THOMAS H. OEHMKE & JOAN M. BROVINS, COMMERCIAL ARBITRATION § 4:8 (2014)(citing decisions). For one state’s experience recognizing the dual track system, see L.H. Lacy Co. v. City of Lubbock, 559 S.W.2d 348, 351 (Tex. 1977) (“common law arbitration continues to be a viable alternative to the statutory method.”); Monday v. Cox, 881 S.W.2d 381, 385 n.1 (Tex. Ct. App. 1994); Blue Cross Blue Shield of Tex. v. Juneau, 114 S.W.3d 126, 134 n.5 (Tex. Ct. App. 2003) (“Common law arbitration was never abolished, however, although arbitration agreements are presumed to arise under the statute unless the parties provide otherwise.”). See also Wold Architects and Engineers v. Strat, 713 N.W.2d 750 (Mich. 2006)(good discussion).


346 1 THOMAS H. OEHMKE & JOAN M. BROVINS, COMMERCIAL ARBITRATION §4:8 (2014)(citing Jackson v Chambers, 510 S.W.2d 74 (Tenn. 1974)). See also TENN. JUR. Arbitration and Award § 2, n.152 (“However, the statutes have added to and not abrogated the common law on this subject”).
existing common-law remedies are not abrogated unless such an intention is clearly expressed.  

As mentioned above, the Tennessee General Assembly has never repealed common law arbitration, which means a strong argument exists that the usual principle of preserving both the common law and statutory procedures remain alive and well in Tennessee. Practitioners should strongly consider the strategy of arguing in the alternative that common law vacatur is a basis for overturning an arbitral award.

What, then, are the contours of common law arbitration and its vacatur component in Tennessee? The concepts from common law arbitration closely resemble many TUAA concepts. This correspondence explains why contemporary courts in TUAA decisions continue to cite cases relying on common law arbitration rules. Perhaps the most fundamental refrain that has current day resonance is this quote from an 1874 Tennessee Supreme Court decision: “Arbitrators have no authority to go in their inquiries beyond the powers delegated by the terms of the submission.” In other examples of common law arbitration doctrines that could also support or oppose vacatur (some of which very similar to TUAA grounds), earlier Tennessee court decisions stated:


348 See, e.g., Team Design v. Gottlieb, 104 S.W.3d 512, 518 n.7 (Tenn. Ct. App. 2002)(citing Jocelyn v. Donnel, 7 Tenn. 274, 275 (1823)).

349 Mays v. Myatt, 62 Tenn. 309 (1874). See also Smith v. Kincaid, 26 Tenn. 28 (1846)(“Where parties to a suit submit the matter in controversy to arbitration, the arbitrators can make no award on matters not involved in the suit, except by express agreement of the parties”). Compare TENN. CODE ANN. § 29-5-313 (a)(1)(C) (1983)(allowing vacatur when the arbitrator “exceeded his powers”).
(1) A party waives an objection to a disqualified arbitrator by appearing before the board and taking part in the arbitration without objection;\(^{350}\)

(2) An arbitration award is not required to itemize the findings, unless the parties agree otherwise in their submission;\(^{351}\)

(3) If the arbitrators depart from the parties’ agreement in a material way or fail to act as a body, an arbitration award can be void;\(^{352}\)

(4) If the parties’ arbitration agreement states that the arbitrators are required to comply with the applicable law, a reviewing court is authorized to determine whether the arbitrators have drawn the proper legal conclusions;\(^{353}\)

(5) A reviewing court may overturn an award based on a charge of arbitrator partiality;\(^{354}\)

(6) The proof must be clear and conclusive that an arbitrator has issued an award tainted by arbitrator corruption and misconduct;\(^{355}\)

(7) Arbitrators have greater discretion than law courts in deciding disputes;\(^{356}\) and

\(^{350}\) Graham v. Bates, 45 S.W. 465, 466 (Tenn. Ch. App. 1898). \textit{See also} Dougherty v. McWhorter, 15 Tenn. 239 (1934) (party participated without objection in a proceeding where the arbitrator was a relative of the opposing party).


\(^{352}\) Palmer v. Van Wyck, 21 S.W. 761 (Tenn. 1893); Reynolds v. Reynolds, 15 Ala. 398, 403 (1849)(following common law rule). \textit{Compare} Memphis & C.R. Co. v. Pillow, 56 Tenn. 248 (1872)(all arbitrators must concur in an award to make it binding, unless the parties’ agreement says otherwise); Smith v. Kincaid, 26 Tenn. 28 (1846) (arbitrators cannot make an award on matters not involved in a lawsuit except where based on the parties’ express agreement); Toomey v. Nichols, 53 Tenn. 159 (1871) (an award is a nullity unless it strictly conforms to the submission, and the judgment is a nullity unless it conforms to the award).

\(^{353}\) Galbraith v. Lunsford, 9 S.W. 365 (Tenn. 1888); Powell v. Riley, 83 Tenn. 153 (1885). \textit{See also} State v. Ward, 56 Tenn. 100 (1871) (where the parties agreement states that arbitrators will follow the law, “[i]f they clearly mistake the law, the award may be set aside”); Fain v. Headrick, 44 Tenn. 327 (1867)(similar statement); Nance’s Lessee v. Thompson, 33 Tenn. 321 (1953) (“An award may be set aside where the arbitrators attempt to decide a mixed question of law and fact, and the award shows on its face that they have mistaken the law”); Conger v. James, 32 Tenn. 213 (1852)(similar statement). \textit{But see} Jocelyn v. Donnel, 7 Tenn. 274 (1823)(arbitrators are to decide the case based on their own notions of equity and conscience and are not restricted to legal precedents or positive rules of law); \textit{but see id}, (court may set aside an award where evidence exists of the receipt of “illegal evidence”).

\(^{354}\) Butler v. Boyles, 29 Tenn. 155 (1849)(recognizing ground but rejecting plaintiff’s allegation on the facts).


\(^{356}\) Ezell v. Shannon, 3 Tenn. Cas. 609 (1875).
(8) Parties cannot agree to judicial review that contradicts the rules of arbitration.\textsuperscript{357}

Common law arbitration could favor either party to the case. An award that a court might deem voidable under TUAA because it fails to comply with its provisions could be valid (and enforceable) under the common law.\textsuperscript{358} A respected commentator observes:

[W]here an arbitration agreement falls within the scope of the arbitration statute of a state, and is enforceable under the statute, it is not necessary to decide whether the agreement is enforceable under common law, but an award that may be voidable under the statute because it fails to comply with its provisions may be valid under the common law.\textsuperscript{359}

The common-law grounds for vacating an arbitration award are (1) fraud; (2) misconduct; or (3) such gross mistake as would imply bad faith and failure to exercise honest judgment. A gross mistake is a mistake that implies bad faith or a failure to exercise honest judgment and results in a decision that is arbitrary and capricious. No matter how erroneous, when the arbitrator’s judgment is based on honest consideration of conflicting claims, this decision will not be arbitrary and capricious.\textsuperscript{360} The sharpest conflict between common law and statutory arbitration is the principle that in common law arbitration, if the agreement says the arbitrator

\textsuperscript{357} Bone v. Rice, 38 Tenn. 149 (1858).
\textsuperscript{359} 21 RICHARD A. LORD, WILLISTON ON CONTRACTS § 57:24 (4th ed. 2001).
will adhere to the law and he does not, the decision will necessarily be improper, but the rule is the opposite in statutory arbitration.361

Many court decisions construing the FAA have followed what a number of modern-day courts consider to be two common law (judge-originated) grounds for reviewing an arbitration award: (1) the award occurred in “manifest disregard of the law” and (2) the award contradicted the public policy of the local state jurisdiction.362 These two lines of authority merit extended discussion in the sections below.

I. “Manifest Disregard of the Law”

In numerous decisions, federal and state courts have addressed whether a party may allege grounds for vacatur above and beyond the explicit statutory reasons. The chief area of disagreement is whether a claimant may file a valid vacatur complaint because the arbitrator’s decision was in “manifest disregard of the law.”

One source of confusion is that several variations exist for this theory of overturning an arbitral award. Nevertheless, a working definition of “manifest disregard of the law” is that

A successful challenge ... depends upon the challenger's ability to show that the award is “(1) unfounded in reason and fact; (2) based on reasoning so palpably faulty that no

361 Compare Arnold, 914 S.W.2d at 450.
judge, or group of judges, ever could conceivably have made such a ruling; or (3) mistakenly based on a crucial assumption that is concededly a non-fact.”

Another well-known principle within the “manifest disregard of the law” doctrine in vacatur cases is “Manifest disregard” is not “mere error in the law or failure on the part of the arbitrators to understand or apply the law,” but “may be found if the arbitrator understood and correctly stated the law but proceeded to ignore it.”

Before the United States Supreme Court in 2008 decided Hall Street Associates, L.L.C. v. Mattel, Inc., the federal circuits were split on whether the FAA grounds for judicial review are exclusive or whether the common law “manifest disregard of the law” theory is viable (addressed below). Much controversy continues to surround the availability of this common law rule--there are even indications the rule is statutory and not even common law.

The United States Supreme Court in Hall Street decided the FAA provides the exclusive criteria for review of arbitration awards and disallows parties from expanding or heightening the scope of review by agreement to permit, among other matters, the manifest disregard theory. At the same time, the Court left the door ajar for such expanded agreements outside the FAA when it said that federal law does not preclude states from using “more searching review based on authority outside the [federal] statute,” including “state statutory or common law.” The California Supreme Court has used this qualification to hold that under state law, a court may

363 Advest, Inc. v. McCarthy, 914 F.2d 6, 8-9 (1st Cir. 1990) (quoting Local 1445, United Food and Commercial Workers v. Stop & Shop Cos., 776 F.2d 19, 21 (1st Cir.1985)). The same Advest decision states a different standard for the same concept: “[T]here must be some showing in the record, other than the result obtained, that the arbitrators knew the law and expressly disregarded it.” Advest, 914 F.2d at 9 (quoting O.R. Sec., Inc. v. Professional Planning Assocs., Inc., 857 F.2d 742, 747 (11th Cir. 1988)).


366 Hall Street, 552 U.S. at 583-87.

367 Id. at 590 (emphasis supplied).
review the merits of an arbitration award where the contracting parties expressly agree that the
arbitrators have no authority to commit errors of law and that a reviewing court may vacate the
award or correct in on appeal for legal error.\textsuperscript{368}

In a comprehensive opinion, the Mississippi Supreme Court in \textit{Robinson v. Henne}\textsuperscript{369} has
construed the viability of the manifest disregard of the law exception after \textit{Hall Street}. The
\textit{Robinson} court summarized the United States Supreme Court’s holding as making clear that if
the manifest disregard doctrine is still viable, it is not a common law authority but must come
within the terms of the FAA. Because the Supreme Court in \textit{Hall Street} stated that “maybe the
term manifest disregard merely referred to the statutory grounds collectively, rather than adding
to them,” the \textit{Robinson} decision observed that this lack of clarity in \textit{Hall Street} has resulted in
the federal circuits having reached differing conclusions on whether such grounds are allowed in
vacatur cases. The \textit{Robinson} court further noted that state courts have gone both ways on the
issue.\textsuperscript{370}

The next source of confusion is that the United States Supreme Court in its decisions
post-\textit{Hall Street} has said it has yet to decide whether the manifest disregard doctrine is viable
after \textit{Hall Street}. In the most recent pronouncement, \textit{Stolt-Nielsen S.A. v. AnimalFeds
International Corp.}, the United States Supreme Court observed, “We do not decide whether
“manifest disregard” survives our decision in \textit{Hall Street} as an independent grounds for review
or as a judicial gloss on the enumerated grounds for vacatur set forth in 9 U.S.C. 10.”\textsuperscript{371}

\textsuperscript{368} See Cable Connection, Inc. v. DIRECTV, Inc., 190 P.3d 586 (Cal. 2008).
\textsuperscript{369} 115 So. 3d 797 (Miss. 2013).
\textsuperscript{370} \textit{Id.} at 800-02 (citing \textit{Hall Street}, 552 U.S. at 585).
Tennessee courts have addressed the viability of this defense. In its *Arnold* decision, the Tennessee Supreme Court strongly indicated that a party under TUAA may *not* rely upon the arbitrator’s “manifest disregard of the law” as grounds for relief. In the words of a subsequent Tennessee Court of Appeals decision considering this issue under the FAA, “We find that *Arnold* evidences an intent to severely limit judicial review of arbitration awards in Tennessee. As a result, we decline to adopt the non-statutory grounds of “manifest disregard” and public policy for reviewing arbitration awards.” Because other Tennessee cases construing TUAA necessarily indicate that only the statutory grounds for vacatur are available in Tennessee, it is sufficiently clear that the “manifest disregard” principle is unacceptable as a statutory basis for relief.

While expressing some uncertainty, the most recent Sixth Circuit case law indicates that manifest disregard in FAA cases is still a valid common law vacatur standard. This differing state and federal treatment creates a challenging dilemma. Tennessee federal and state courts construing the FAA and state courts applying the TUAA must follow opposite positions on this heavily litigated issue, which can only create challenges for Tennessee counsel and their clients depending on the happenstance of whether the case falls within the FAA or TUAA.

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372 *Arnold*, 914 S.W.2d at 449.
374 Chattanooga Area Regional Transp. Authority v. Local 1212 Amalgamated Transit Union, 206 S.W.3d 448, 451 (Tenn. Ct. App. 2006)(“An arbitration award cannot be vacated because the arbitrator made a mistake of fact or law, and it also cannot be vacated because it is irrational”).
376 Note that if the state court is applying FAA and not TUAA, then the Sixth Circuit view would likely govern. Compare supra notes 10-11 and accompanying text (Tennessee state courts must apply the FAA in cases under the FAA for a contract arising from interstate commerce).
J. Violation of Public Policy

In a theory with “obvious parallels” to the “manifest disregard” doctrine, the United States Supreme Court accepted the “public policy” ground for reviewing arbitration awards in *W.R. Grace & Co. v. Local Union 759, International Union of the United Rubber Workers.* The usual rationale for vacating an award on this theory stems from a court’s common law power to refuse enforcement of an arbitration contract – just as with any other contract – that violates public policy or law. This inquiry is separate from whether the award decision was incorrect.

The party alleging this ground must show (1) a well-defined and dominant public policy, and (2) a sufficient link—“nexus”—between enforcement of the award and violation of the particular policy to support the court’s refusal to confirm the award. Public policy grounds would exclude vague concerns that enforcement of arbitration awards would create “intolerable incentive to disobey court orders.”

A leading treatise makes an important point regarding the nature of the public policy that can qualify as grounds for overturning an award:

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380 4 AM. JUR. 2d *Alternative Dispute Resolution* § 216 (2014).
In attacking the award on the basis of its violation of public policy, distinctions should be made between violations of arbitration policy and violations of policy regarding the substance of the controversy. Public policy on the arbitration process is generally set forth in its entirety in the arbitration statute; normally courts need go no further. On the other hand, in determining whether an arbitrator's award contravenes public policy on a substantive issue, the court looks to constitutional, judicial and statutory authority.\footnote{MARTIN DOMKE ET AL., DOMKE ON COMMERCIAL ARBITRATION § 38:24 (3d ed. 2008).}

The U.S. Supreme Court has narrowly construed the public policy ground for challenging arbitral contract awards, observing that “general considerations of supposed public interests” are insufficient.\footnote{Misco, 484 U.S. at 43; 4 AM. JUR. 2d Alternative Dispute Resolution § 215 (2014).}

Several federal circuit and state courts also have recognized public policy as a common law ground for vacatur\footnote{Warbington Constr., Inc. v. Franklin Landmark, LLC, 66 S.W.3d at 853, 857-58 (Tenn. Ct. App. 2001)(citing decisions).} but other states, such as Tennessee, oppose this view.\footnote{See 4 AM. JUR. 2d Alternative Dispute Resolution § 214 (2014); Warbington, 66 S.W.3d at 857-58.} The opposing theory would be that this ground undermines the finality of arbitration decisions and opens the doors to routine sustained appeals. This point becomes clearer when one considers that many-- if not most-- losing parties could argue that all statutory errors committed by the arbitrator offend public policy. In line with the opposing view, the Tennessee Court of Appeals in the Arbington decision relied on the Tennessee Supreme Court’s 1996 decision in Arnold rejecting the public policy ground. According to these Tennessee decisions, the strong doctrine favoring arbitration requires the rejection of the public policy rationale for vacating an arbitration award.
award. The likely driving concern is that courts wish to avoid sub silentio review of the arbitrator’s view of the case on the merits.

Other Tennessee cases, however, support the interpretation that an arbitrator’s violation of public policy is a ground for complaint, either as an independent common law ground or as a subset of the ground in Tenn. Code Ann. § 29-5-313 forbidding arbitrators from exceeding their powers. Thus, in Lawrence County Educ. Ass’n v. Lawrence County Board of Educ., the same Tennessee Supreme Court in 2007 that in 1996 had earlier authored Arnold broadly stated that “public policy considerations” forbid arbitrators from acting “in contravention of statutes.” The Lawrence court also said in unqualified language that an arbitrator’s decision “may be vacated where the arbitrator exceeds [his] powers.” These statements also advance settled law that courts should refuse to enforce a contract that violates public policy. To date, this conflict remains unresolved in the Tennessee decisions.

VI. CRITIQUE OF VACATUR UNDER TENNESSEE ARBITRATION LAW

A. The Superiority of Arbitration Over Litigation: Fact or Fiction?

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387 Warbington, 66 S.W.3d at 658-59, citing Arnold, 914 S.W.2d at 859.
388 See C&D Technologies, Inc. v. International Ass’n of Heat and Frost Insulators & Asbestos Workers, 303 F. Supp. 2d 468, 470-71 (S.D.N.Y. 2004); BBF, Inc. v. Alstom Power, 645 S.E.2d 467, 469-70 (Va. 2007) (courts may not consider whether the arbitrator’s decision was “legally correct” but only whether the arbitrator “had the power” to decide the case).
389 244 S.W.3d 302 (Tenn. 2007).
390 Lawrence, 244 S.W.3d at 318-19.
391 Whitley v. White, 140 S.W.2d 157, 161 (Tenn. 1940): "The authorities from the earliest time to the present unanimously hold that no court will lend its assistance in any way towards carrying out the terms of an illegal contract." Modern day cases construing the FAA have used the same reasoning in uphold vacatur based on a public policy violation. See Misco, 484 U.S. at 42 (citing the “basic notion that no court will lend its aid to one who founds a cause of action upon an immoral or illegal act”).
The Tennessee Supreme Court has endorsed the unqualified proposition that arbitration is a superior method of dispute resolution over litigation. In turn, this perceived aspect of arbitration drives the numerous pro-arbitration case law legal doctrines underlying TUA, including the deliberately high bar for plaintiffs to overcome in seeking vacatur. Thus, in *Arnold v. Morgan, Keegan & Co.*, the leading case on vacatur in arbitration, the court said that TUAA was designed to promote settlement in bypassing the courts. The court also accepted without question the superiority of arbitration over litigation:

> [A]rbitration is attractive because it is a more expeditious and final alternative to litigation.

The very purpose of arbitration is to avoid the courts insofar as the resolution of the dispute is concerned. The object is to avoid what some feel to be the formalities, the delay, the expense and vexation of ordinary litigation. Immediate settlement of controversies by arbitration removes the necessity of waiting out a crowded court docket...  

The problem with the *Arnold* analysis is that our courts have built an extensive body of law without any empirical support for the critical finding that arbitration is superior to litigation in terms of formalities, delay, expense and vexation to the parties.

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392 914 S.W.2d 445; 391 *Id.* at 448-49.
391 *Id.* at 448-49.
394 *Id.* at 445.
A number of commentators have challenged the notion that arbitration is necessarily a more cost effective and efficient means of case disposition superior to conventional litigation. After making a careful empirical analysis, Professor Thomas J. Stipanowich has observed, “The arbitration experience has become increasingly like the civil procedures they were designed to supplant, including prehearing discovery and motion practice” and observes that “arbitration generally is as expensive [as litigation]. . . . less predictable, and not appealable.”

Professor Christopher Drahozal similarly observes that the upfront costs of arbitration will in many cases be higher than, and at best the same as, the upfront costs in litigation. Regarding the supposed superiority of arbitration over litigation, Professor W. Mark C. Weidemaier concludes that the evidence regarding outcomes in arbitration versus litigation “is mixed.”

Next, as stated in Williston on Contracts,

It should be noted, however, that arbitration is not invariably "a simple, expeditious or inexpensive method of adjudicating commercial controversies." Arbitration fees may be prohibitively high and substantially deter a worker from enforcing his or her statutory employment rights; therefore, an employer may be required to bear these costs as the *quid pro quo* for an agreement to arbitrate employment disputes. Thus, it is necessary to compare the direct costs of arbitration—which may be high, since the parties may be required to pay filing and administrative fees, the arbitrators' compensation and travel expenses, and expenses for the rental of facilities—to the indirect costs of litigation, including billable

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hours of attorney time incurred in discovery, pretrial hearings, motions related to the evidence, and the trial itself.\textsuperscript{398}

Some judges are also starting to doubt the supposed truism of arbitral superiority over litigation. A South Carolina federal district judge has written,

In this court's view, the longstanding federal policy favoring arbitration perhaps should be revisited. The policy arose during a time when a reasonable percentage of federal cases went to trial and a burgeoning federal case load made arbitration an attractive, less expensive, and quicker form of dispute resolution. \textit{Today, it appears that the arbitration dockets may be more congested than the dockets of most federal district courts}. On several occasions in recent years, when this court has granted a motion to compel arbitration, retaining the case on its docket so that the award can be formalized in a judgment, the arbitration process has required two to three years to run its course. This court would have been able to provide a much quicker forum for the resolution of those disputes.\textsuperscript{399}

These preliminary observations warrant deeper study, but they should at least raise serious questions about the supposed superiority of arbitration over litigation in terms of efficiency and the advantages to the parties. Tennessee courts seem to give short shrift to the absence of well-conducted empirical studies in Tennessee (and elsewhere) in this regard.

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Where a legal policy giving great weight to arbitration as a superior conflict resolution device lacks verifiable support, the legal doctrine becomes suspect. As courts have stated in other contexts, “A doctrine that is explained as if it were an empirical proposition but for which there is only limited empirical support is both inherently unstable and an easy mark for critics.” Accordingly, the time has come for Tennessee courts to re-examine the many pro-arbitration case law policies that support (and are supposedly derived from) TUAA, including the difficult standard for vacatur. If a principle no longer has (and maybe never had) empirical backing, then the highly pro-arbitration TUAA cases making casual empirical assumptions need in-depth reconsideration.

B. TUAA’s Judicial Gloss

Besides lacking empirical support in key respects, the Tennessee vacatur decisions have gone well beyond the literal terms of the statutory scheme and have added a substantial gloss to TUAA.

Nothing in TUAA states that courts in vacatur cases must employ an extremely narrow and deferential standard of review-- the words “severely” limited are a common judicial fixture--or that awards will stand except in “very unusual circumstances.” Nothing in TUAA states that courts in vacatur cases cannot consider the merits of the arbitral award or assess whether the arbitrator has committed a significant error of law or fact. Lastly, nothing in TUAA specifically

supports the case law doctrine establishing a “presumption of arbitrability” or that court must enforce an order to arbitrate “unless it may be said that the arbitration clause is not susceptible to an interpretation that covers the asserted dispute.” Nonetheless, Tennessee courts routinely advance these principles merely by citing other cases that make these statements. Significantly, no cases were found where a court identified the statutory source for these precepts.

The counter-argument might be that “Arbitration’s desirable qualities would be heavily diluted, if not expunged if a trial court reviewing an arbitration award were permitted to conduct a trial de novo.”401 This argument proves too much; this article advocates that the courts in TUAA cases obey the legislative intent and apply the statutory rule that appeals in TUAA cases “shall be taken in the same manner and to the same extent as from orders or judgments in a civil action.” The quoted language comes from Tenn. Code Ann. § 29-5-319(b), which says specifically that all arbitration appeals from Tennessee trial courts to the appellate courts are governed by such a standard.402 Thus, any common law doctrine mentioned above without a statutory anchor lacks the traditional forms of legal support and persuasiveness. Nothing else appearing, the courts are relying on pure policy preferences for these anti-claimant doctrines.

Stripped of the courts’ circular reliance on their own opinions, our courts as adjudicators have encroached upon the legislature’s function. Courts are not properly arbitration policy makers, but serve only to resolve disputes about the application of statutory rules of arbitration to live cases and controversies. The question must then be asked, what legal basis do courts have to support the conclusion that “courts have long noted that judicial review of an arbitration decision

402 See TENN. CODE ANN. § 29-5-319(b) (1983); “The appeal shall be taken in the manner and to the same extent as from orders or judgments in a civil action.”
My answer is that mere policy cannot drive statutory interpretation. Because of the separation of powers provision in the state constitution, Tennessee appellate courts must remain adjudicators and not venture forth as policy makers.

The Tennessee Supreme Court bypassed an excellent opportunity to address this critical issue of the scope of review in *Arnold v. Morgan Keegan and Co., Inc.* but the court ingrained the confusion more deeply. In this frequently-cited case, the Tennessee Supreme Court said, “The limiting language of the statutes governing vacation and modification arbitration awards evidences the intent to limit severely the trial court’s authority to retry the issues decided by arbitration.” Importantly, the *Arnold* court cited no statutes or in-state common law doctrine for these propositions of “severe” statutory construction but merely drew a policy conclusion.

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All questions of policy are for the determination of the legislature, and not for the courts . . . Where courts intrude into their decrees their opinion on questions of public policy, they in effect constitute the judicial tribunals as lawmaking bodies in usurpation of the powers of the legislature.

See also Hodge v. Craig, 382 S.W.3d 325, 337 (Tenn. 2012) (“The determination of this state's public policy is primarily the prerogative of the General Assembly.”) Compare Taylor v. Beard, 104 S.W.3d 507, 511 (Tenn. 2003) (judiciary may determine “public policy in the absence of any constitutional or statutory declaration.”).
405 *Arnold*, 914 S.W.2d 445.
406 Id. at 446 (emphasis in original).
407 A later case construing *Arnold* forthrightly commented that the Tennessee Supreme Court based its principle of limited judicial review in arbitration cases “[u]pon the policy of providing finality of arbitration awards . . .” Adams TV of Memphis, Inc. v. International Broth. of Electrical Workers, AFL-CIO, Local 474, 932 S.W.2d 932, 934 (Tenn. Ct. App. 1996)(emphasis supplied). Thus, the *Adams* court implicitly acknowledged the reality that *Arnold* is a non-statutory policy based decision versus a rule-based decision.
Oddly enough, the *Arnold* court most strongly relied on a New Mexico Supreme Court decision applying New Mexico, and not Tennessee, law for this outcome. \(^{408}\) Thus, Tennessee courts also have yet to explain why the arbitrators have not “exceeded their powers” as forbidden by Tenn. Code Ann. § 29-5-313(a)(1)(C) where arbitrators merely “arguably” construe or apply the contract, but still commit “serious error” in contract interpretation.\(^{409}\)

When Tennessee courts construe a statute, their task is “[t]o carry out the legislative intent without broadening or restricting the statute beyond its intended scope. [Courts] start by looking to the language of the statute, and if it is unambiguous, [they] apply the plain meaning and look no further. In doing so, [they] must avoid any forced or subtle construction that would limit or extend the meaning of the language.”\(^{410}\) By adding policies and doctrines that TUAA does not expressly reflect, our courts have inappropriately applied a layer of commands and policies to unambiguous legislative enactments. Put another way, “If the Legislature has clearly expressed its intent in the language of a statute, that statute must be enforced as written, free of any ‘contrary judicial gloss.’ ”\(^{411}\)

Of course, the courts’ answer to this argument would be the maxim that “[T]he fact that the legislature has not expressed disapproval of a judicial construction of a statute is persuasive evidence of legislative adoption of the judicial construction,” because “[t]he legislature is

\(^{408}\) *Arnold*, 914 S.W.2d at 449 (quoting State *ex rel.* Hooten Const. Co. v. Borsberry Const. Co., 769 P.2d 726, 727 (N.M. 1989)).

\(^{409}\) *Id.* at 448-51 (citing concepts).


presumed to know the interpretation which courts make of its enactments.\textsuperscript{412} In this circumstance, it must be acknowledged that the General Assembly has not intervened and modified the statutes to overrule the post-1983 decisions so construing TUAA. Nevertheless, the Tennessee doctrine rests on a shaky foundation based on the courts taking on legislative prerogatives through a partial adverse possession of the Tennessee Code.

\textit{C. Judicial Review, Transcripts and Arbitrator Findings of Fact/Conclusions of Law}

For vacatur to be an effective remedy, and not an impossible dream for claimants, there must be a sufficient record of the arbitral proceedings that a trial or appellate court can examine with confidence. As stated above, unless the agreement or a statute provides otherwise, Tennessee courts see nothing wrong or unfair that the record for an arbitration decision is missing a transcript on appeal or that the award might lack findings of fact or of law.\textsuperscript{413} The Tennessee Supreme Court said in \textit{Arnold},

The agreement in this case provided that the arbitrators were not required to make written findings of fact and law. Such is normally the case. Thus, under usual circumstances, any ground for vacating or modifying the arbitration award will usually appear on the face of the award, not within the transcript. It would be unfair and incongruous to hold that an arbitration award in hearings in which a transcript was made is more open to attack than


\textsuperscript{413} See supra Section V.B.
in a case in which no transcript was made. Thus, the case under submission was no more open to review by the trial court than was any other arbitration case.\textsuperscript{414} The practical (and adverse) effect of this doctrine is that it “greatly restricts” a court’s ability to review the arbitral decision, it invites “speculation” on the arbitrator’s rationale, and it “emasculates effective judicial review.”\textsuperscript{415}

The problem is more serious where the award lacks any sort of valid contemporaneous explanation. Here, the reviewing court frequently confirms the award because precedent allows it to conclude that the arbitrator’s “true intent is apparent” or that the grounds for the award “can be inferred from the facts.”\textsuperscript{416} If it is proper for an arbitrator’s award to be as brief as stating a dollar award for damages, an aggrieved claimant (contrary to \textit{Arnold}) has little or no possible basis to determine the grounds for challenge merely from a number on a piece of paper.

Given the minimal information that can accompany an arbitration award decision, a real danger exists that the reviewing court’s opinion will supply a post-hoc justification. The cases reveal the problems with how the courts have used this last-mentioned questionable judicial savings mechanism. A 2013 District of Columbia District court decision stated that a court under the FAA “is not at liberty to make assumptions as to the arbitral tribunal’s logic.” Yet, in the same opinion the court approved a post-hoc rationale when it stated that “an award must be confirmed even when the reasoning is deficient or non-existent” provided that “any justification

\begin{footnotes}
\textsuperscript{414} \textit{Arnold}, 914 S.W.2d at 449.
\textsuperscript{415} \textit{Compare} Chasser v. Prudential -Bache Securities, 703 F. Supp. 78, 79 (S.D. Fla. 1988). A prominent treatise takes a different perspective on use of transcripts in arbitration but does concede that the issue has long been a matter of debate and that they are advisable in technical or complex cases. MARTIN DOMKE ET AL., DOMKE ON COMMERCIAL ARBITRATION § 29:18 (3d ed. 2008).
\textsuperscript{416} First Interregional Equity Corp. v. Haughton, 842 F. Supp. 105, 110 (S.D.N.Y. 1994)(citing decisions).
\end{footnotes}
[for the decision] can be gleaned from the record.” The problem with this federal district court decision is that no substantive distinction exists between an award based on impermissible “assumptions” --which the court condemned--versus an award based on permissible “gleanings”--which the court approved. 417 Succinctly put, the line cannot be drawn that fine.

In defending such a doctrinal distinction, another court unapologetically said that an arbitrator’s “improvident, even silly fact finding” does not provide a basis for a reviewing court’s refusal to enforce an award.” 418 As a federal appeals court judge observed in a concurring opinion in another appellate case, the truth is that when an arbitrator makes an award without a satisfactory explanation, courts become participants in a “judicial snipe hunt” as they become a “rubber stamp” for unexplained or unsupported arbitrator decisions. 419

Recognizing these potential flaws, not all jurisdictions let the arbitrators off the hook so easily. For example, Connecticut courts in adjudicating state arbitral awards reason that because reviewing courts frequently lack access to a transcript of the proceedings, “it is particularly important and incumbent upon arbitrators to make express reference to the specific evidence on which they rely in support of their findings of fact instead of simply making conclusory statements.” 420 Further, as an FAA case has observed, “[W]hen the arbitrators do not give their

419 Federated Dep’t Stores, Inc. v. J.V.B. Industries, Inc., 894 F.2d 862, 871 (6th Cir. 1990)(Martin, J., concurring); see also Matteson v. Ryder System, Inc., 99 F.3d 108, 113 (3d Cir. 1996)(“courts are neither entitled nor encouraged to ‘rubber stamp’ the interpretations and decisions of arbitrators”).
420 State v. AFSCME, Council 4, Local 391, 69 A.3d 927, 939 (Conn. 2013).
reasons [for arbitral decisions], it is nearly impossible for the court to determine whether they acted in disregard of the law.”

Courts defending the current approach on findings of fact/law argue that imposing a requirement upon the arbitrator to explain his decision (absent the parties’ agreement otherwise) “[w]ould serve only to perpetuate the delay and expense which arbitration is meant to combat.” This rationale is unconvincing because a concise but complete arbitral decision is hardly wasteful of resources. An adequate decision explaining the arbitrator’s rationale brings credibility and transparency to the process and instils confidence in the participants that each has received fair treatment. In fact, an explanation requirement would actually improve the efficiency of arbitration by giving the parties and reviewing courts the insights on what guided the arbitrator’s thought processes. It also proves too little for courts to reason that “if parties to arbitration wish a more detailed arbitral opinion, they should clearly state in the agreement the degree of specificity required.”

The current regime on arbitral transcripts and findings of fact/law harms the utility of the process because it encourages arbitrators to render careless and incorrect decisions secure in the belief that reviewing courts will likely supply judicial first aid as needed by providing legally defensible rationales by citing the “gleanings” from the record. Such judicial repair work also

422 Eljer Mfg., Inc. v. Kowin Development Corp., 14 F.3d 1250, 1254 (7th Cir. 1994).
invites courts to provide rationales and justifications that the arbitrator might never have considered, thus turning courts into super-arbitrators.  

In their vigor to defend what should otherwise be dubious award decisions, some courts display a puzzling reticence to remand the case to an arbitrator for additional findings. The better view is that “It is entirely appropriate for a [trial] court to direct arbitrators to explain their awards.” This technique advances the fairness of the arbitral system because it “avoids judicial guessing” about the rationale for the award and give the parties “what they bargained for--a clear decision from the arbitrator.” Nevertheless, a 1989 decision of the United States Court of Appeals for the District of Columbia Circuit rejected that procedure for a damages award lacking backup calculations, reasoning that remand for an explanation of an award “[w]ould unjustifiably undermine the speed and thrift sought to be obtained by the “federal policy favoring arbitration.” What the D.C. Circuit missed in this case is that an appellate court will have little insight in what it is being asked to enforce if serious doubt exists on the rationale that the arbitrator or trial court used to reach its decision.

No Tennessee cases were found addressing the trial court’s authority to order a remand to the arbitrator. Because the case law in Tennessee on remands is unclear, practitioners should rely on general case law principles in advocating this remedy. The United States Court of Appeals for the Sixth Circuit has ruled that “[a] remand is proper . . . at common law . . .

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clarify an ambiguous award or to require the arbitrator to address an issue submitted to him but not resolved by the award.” 427


An established ground for vacatur both under the FAA (9 U.S.C. § 10(a)(4)) and TUAA (Tenn. Code Ann. § 29-5-313(a)(1)(C)) is that the arbitrator “exceeded” his “powers.” While courts commonly state that arbitrators exceed their powers in deciding issues when they go outside the scope of the arbitration agreement,428 some extra-lenient doctrines apply in this area.

In one common statement, “As long as the arbitrator is, arguably, construing or applying the contract and acting within the scope of his authority, the fact that a court is convinced he committed serious error does not suffice to overturn his decision.” 429 Indeed, “improvident, even silly” interpretations usually pass judicial muster430 and some courts profess that the reasoning of the arbitrator is legally irrelevant because the only point at issue is “the result reached.”431 This

428 E.g., Arnold, 914 S.W.2d at 450, citing International Talent Group, 769 S.W.2d at 218.
430 See United Paperworkers Int’l Union, AFL-CIO v. Miscro, 484 U.S. 29, 39 (1987). See also Nat’l Wrecking Co., 990 F.2d at 961; Ethyl Corp., 768 F.2d at 183.(errors of fact or law do not supply valid grounds for vacating an arbitration award”); Bull HN Information Systems, Inc. v. Hutson, 229 F.3d 321, 330 (1st Cir. 2000)(“[e]ven where such error is painfully clear, courts are not authorized to reconsider the merits of arbitration awards”) (arbitrator inconsistently ruled that the parties had no contract but also said the parties had an adhesion contract). For a discussion of arbitration and adhesion contracts, see MARTIN DOMKE ET AL., DOMKE ON COMMERCIAL ARBITRATION §§ 8:26, 8:27 (3d ed. 2008).
431 Anderman/Smith Operating Co. v. Tennessee Gas Pipeline Co., 918 F.2d 1215, 1219 n.3 (5th Cir. 1990). Some courts even profess that the courts do not review the arbitrator’s interpretation of the contract but whether the arbitrator’s conduct displayed “an infidelity” to his obligation as an arbitrator. See Ancor Holdings, LLC v. Peterson, Goldman & Villani, Inc., 294 S.W.3d 818, 831 (Tex. Ct. App.-Dallas 2009).
dilution--and misreading-- of the statutory standard that the arbitrator may not “exceed” his powers cannot withstand logical scrutiny.

In the words of Judge Richard Posner of the United States Court of Appeals for the Seventh Circuit, the question of whether the arbitrator exceeded his powers is not if he “erred” in the interpretation of the contract, “clearly erred” in the interpretation, or “grossly erred” in the interpretation. The standard for the proper exercise of arbitral powers is whether the arbitrator interpreted the contract as opposed to ignoring it and substituted his own notion of what is reasonable or fair.\textsuperscript{432} Judge Posner’s observation should not be over-construed, however, because “[t]he grosser the apparent misinterpretation, the likelier it is that the arbitrators weren’t interpreting the contract at all.”\textsuperscript{433} Perhaps in recognition of this questionable classification of reasonable and unreasonable readings of the contract, some courts indicate that the arbitrator’s interpretation of the contract to be upheld must be “plausible.”\textsuperscript{434}

Notwithstanding, if the standard per Tenn. Code Ann. § 29-5-313(a)(1)(C) is the court “shall vacate an award” when arbitrators “exceeded their powers,”\textsuperscript{435} is to have any meaning, it should be insufficient depending on the arbitration agreement that the arbitrator was “arguably” construing the contract but was still dead wrong. Where an arbitration agreement expressly or even impliedly requires the arbitrator to follow the law, but his contract interpretation is irrational or illogical, he cannot be said to have stayed within his powers as defined by the

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\textsuperscript{432} Hill v. Norfolk & W. Ry. Co., 814 F.2d 1192, 1195 (7th Cir. 1987).
\textsuperscript{433} Id.
\textsuperscript{434} Employers Ins. Of Wausau v. National Union Fire Ins. Co. of Pittsburgh, 933 F.2d 1481, 1486 (9th Cir. 1991).
\textsuperscript{435} Note that vacatur is mandatory under TENN. CODE ANN. § 29-5-313(a)(1)(C) (1983) if the grounds exist, which differs from the Federal standard under 9 U.S.C. § 10(a)(4) (2002), which states that a court “may” vacate the award when the statutory circumstances are present, which further emphasizes the “deferential nature” of federal judicial review. \textit{See} Cat Charter, LLC v. Schurtenberger, 646 F.3d 836, 843 n.11 (11th Cir. 2011).
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parties’ underlying contract. Case law from other jurisdictions specifically relies on this last perspective.\textsuperscript{436}

Using a penetrating analysis, the Michigan Supreme Court convincingly has rebutted the widespread doctrine that arbitration decisions based on an error of law do not exceed the powers of arbitrators. In \textit{Detroit Auto. Inter-Insurance Exchange v. Gavin},\textsuperscript{437} the Michigan high court concluded that “[J]ust as a judge exceeds his power when he decides a case contrary to controlling principles of law, so does an arbitrator.”\textsuperscript{438} It bears noting that the Michigan court did not hold that an error of law is automatic grounds for vacatur. More precisely, the court said that to vacate an award there “must be error so material or so substantial as to have governed the award, and but for which the award would have been substantially otherwise.”\textsuperscript{439}

Thus, the \textit{Detroit Auto.} court considered the parties’ reasonable expectations of arbitrator conduct:

If the sole or even primary goal of private arbitration were the expeditious, inexpensive, and unreviewable resolution of private disputes, we might be persuaded of the justice of the no-review rule . . . But those are not the goals or purposes of statutory arbitration.

We are not ready to assume that the parties in these cases agreed to forego observance of a plainly applicable provision of their written contract, one which is dispositive of the

\textsuperscript{436} \textit{See} Prince George’s County Educators Ass’n, Inc. v. Board of, 486 A.2d 228, 232 (Md. App. 1995) (“If the language of the contract permits but one meaning, an arbitrator who does not follow such a clear contractual mandate exceeds his authority as surely as if had gone beyond the scope of his express arbitration authority.”); National Ave Building Co. v. Stewart, 910 S.W.2d 334, 349 (Mo. Ct. App. 1995) (indicating that an arbitrator will exceed his authority when his erroneous decision is not “rationally grounded in the agreement”); Davis v. Chevy Chase Fin. Ltd., 667 F.2d 160, 165-67 (D.C. Cir. 1981) (an arbitral award considering a matter outside the scope of the agreement is both one made in excess of the arbitrator’s authority and the basis for a decision that the arbitrator had no jurisdiction to decide the matter).
\textsuperscript{437} 331 N.W.2d 418 (Mich. 1982).
\textsuperscript{438} \textit{Id.} at 444.
\textsuperscript{439} \textit{Id.}
only matter genuinely in dispute between them, in exchange for a speedy, thrifty, and final resolution of their differences in a way which disregards the law substantially determinative of their rights and duties. The process of dispute resolution and the procedural advantages of arbitration are the servants of the law governing the issues in dispute, not the reverse.

Picking up on the majority opinion’s approach in *Detroit Auto*, I ask what is the difference to a party between an arbitrator’s making a gross interpretive error of law or fact and deciding a question that was not clearly submitted to him under the arbitration agreement? Why is the first scenario not ground for error in Tennessee but the second fact pattern is a ground for complaint? Both missteps fall squarely within the text of Tenn. Code Ann. § 29-5-313(a)(1)(C), but to the average claimant, such a distinction seems hyper-technical and unjust. In both instances, the arbitrator is substituting his own notion of what is fair and reasonable versus construing the law or the contract before him. In both situations, the arbitrator is deciding questions not clearly submitted to him under the arbitration agreement and has exceeded the scope of his power in the submission. By solid case law authority, a court (and by logical extension, an arbitrator) “abuses its discretion when it makes an error of law.”

Therefore, the Michigan Supreme Court’s construction of a statute similar to Tennessee’s correctly holds that an arbitrator may exceed his or her authority, as grounds to vacate an

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440 See Shearson Lehman Bros., Inc. v. Hedrich, 639 N.E.2d 228, 232 (Ill. Ct. App. 1994) (“The ultimate award must be ‘grounded on the parties' contract’ and arbitrators do not have the authority to ignore plain language and alter the agreement.”).


arbitration award, by making an interpretation that produces an irrational result or that manifestly disregards the terms of the arbitration agreement.

E. Good Faith and Fair Dealing – A Little-Used Vacatur Theory

Another possible vacatur theory largely unmentioned in Tennessee is that the arbitrator will exceed his powers under the contract when he violates the implied covenant of good faith and fair dealing in conducting the proceedings or in rendering a decision. Only one unreported Tennessee decision was found mentioning this doctrine in an arbitration case, and that was in passing.443

A Minnesota case lends direct support to this notion that arbitrators are contractually bound to act in good faith and fair dealing. The court indicated that when arbitrators are “unfaithful to their obligations,” a court reviewing the case can assume that the arbitrators did “exceed their authority.”444 Thus, claimants should have grounds for vacatur under Tenn. Code Ann. § 29-5-313(a)(1)(C) when the arbitrator exceeds his powers in this manner.

This theory of vacatur authority also finds substantial support from the common law of contracts. As stated in the Restatement (Second) of Contracts § 205, “Every contract imposes upon each party a duty of good faith and fair dealing in its performance and its enforcement.”

444 QBE Ins. Corp. v. Twin Homes of French Ridge Homeowners Ass’n, 778 N.W.2d 393, 398 (Minn. Ct. App. 2010). See also Hooters of America, Inc. v. Phillips, 173 F.3d 933, 938 (4th Cir. 1999): “Hooters materially breached the arbitration agreement by promulgating rules so egregiously unfair as to constitute a complete default of its contractual obligation to draft arbitration rules and to do so in good faith.”
party to a contract has unbridled discretion to perform as he pleases. The arbitrator will act in “good faith” only when he demonstrates “faithfulness to an agreed common purpose and consistency with the justified expectations of the other party.” By agreeing to serve in the role of arbitrator, this individual impliedly (and often expressly) agrees to decide the dispute impartially, conscientiously, and competently. Furthermore, the better view is that parties do not submit a case to arbitration with the expectation that the arbitrator will flout applicable law and that they are to sit by with no complaint.

Tennessee common law supports this statement; the Tennessee Supreme Court said in 1871 that “The agreement to submit to an arbitration necessarily implies that the award made is to be legal, and if it is not, that either party shall have the right to show its illegality by regular judicial proceedings.” No reason supports holding arbitrators to a lower standard of conduct in 2015 as compared with the generally more primitive legal landscape of 1871.

In another sense, the arbitrator’s serious error of fact or law is a breach of contract--and exceeds his powers under the arbitration contract--because it frustrates the disputing parties’ reasonable expectation that the arbitrator will discharge his duties in a competent fashion. The Tennessee Court of Appeals has said about this ubiquitous implied covenant:

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448 State v. Ward, 56 Tenn. 100, 105 (1871).
Tennessee common law... imposes an implied covenant of good faith and fair dealing in the performance of contracts. This Court has stated that the purposes of this implied duty are two-fold: to honor the reasonable expectations of the contracting parties, and to protect the rights of the parties to receive the benefits of their agreement.\(^{449}\)

Further, Tennessee courts agree that “[A] claim based on the implied covenant of good faith and fair dealing is not a standalone claim; rather, it is part of an overall breach of contract claim.” \(^{450}\)

Given these reasonable ground rules for arbitral service, arbitrators under a contract that reflects the implied covenant have “no authority” to ignore plain contract language in their pact with the parties that expressly or impliedly requires the arbitrator to make supportable interpretations of clear contract language.\(^{451}\) If the arbitrator fails to meet this standard, and falls short of meeting a party’s “reasonable expectation,” he has breached the arbitral contract and exceeded his authority thereby contrary to Tenn. Code Ann. § 29-5-313(a)(1)(C). Accordingly, this contract deviation properly affords the counsel for the aggrieved party a valid strategy for vacatur under TUAA.

\[F. \textbf{Judicial Interpretation of Arbitration Contracts: Question of Law or Fact?}\]


No quarrel can exist with settled law that “[T]he standard for judicial review of arbitration procedures is merely whether a party to arbitration has been denied a fundamentally fair hearing.”\footnote{Morgan Keegan & Co., Inc. v. Starnes, No. W2012–00687–COA–R3–CV, 2014 WL 2810209 at *3 (Tenn. Ct. App. June 20, 2014).} Absent an express agreement to the contrary, the arbitrator’s interpretation of his procedural powers are entitled to the same level of deference as with his merits determinations.\footnote{Colonial Pipeline Co. v. Nashville & Eastern R.R. Corp., 253 S.W.3d 616, 621 (Tenn. Ct. App. 2007)(citations omitted).} What is not so clear, however, in a judicial contest over vacatur based on the “exceeded his powers” strand of Tenn. Code Ann. § 29-5-313 (a)(1)(C) is whether interpretation of the parties’ submission or the arbitrator’s contract is a matter of law or fact. The distinction is important because it will control on whether the trial and appellate courts will exercise de novo review over that interpretation.

Unfortunately, Tennessee decisions have abandoned “well-settled” principles of appellate review in matters of contract interpretation in arbitration cases. Tennessee courts repeatedly recognize these general rules,

[When] the . . . issue on appeal involves contract interpretation, [this] is a matter of law that we review \textit{de novo} on the record with no presumption of correctness for the determination of the trial court. The “cardinal rule” of contract construction is to ascertain the intent of the parties and to effectuate that intent consistent with applicable legal principles. When the language of the contract is plain and unambiguous, courts determine the intentions of the parties from the four corners of the contract, interpreting and enforcing it as written.\footnote{Lagstein v. Certain Underwriters at Lloyd’s, London, 607 F.3d 634, 643-44 (9th Cir. 2010).}
As just stated, because contract interpretation involves issue of law, the reviewing courts—both the trial court and the appellate courts—should consider the arbitrator’s contract interpretation issues de novo, with “no presumption of correctness on appeal.” The reviewing court must analyze the arbitrator’s award decision based on the contract document and other permissible evidence and make its own determination of the contract’s meaning and legal effect.\(^{455}\) Nothing in Tenn. Code Ann. § 29-5-319 (the TUAA statute on judicial appeal and review) exempts arbitration cases from these prevailing rules of appellate contract interpretation.

The U.S. Supreme Court in a major arbitration case said, “We believe . . . that the majority of the Circuits is right in saying that courts of appeal should apply ordinary, not special, standards when reviewing district court decisions upholding arbitration awards.”\(^{456}\) The Tennessee Supreme Court has specifically approved the U.S. Supreme Court’s stance on this point.\(^{457}\) As will be seen below, the appellate courts in our state have yet to follow this established doctrine in reviewing arbitration cases.

Until recently, Tennessee appellate courts confused a number of issues in explaining judicial review of arbitration awards. Up to 2010, the Tennessee Supreme Court and the Tennessee Court of Appeals followed the dubious view that absent legislative direction, courts should consider matters of law in arbitration cases “with the utmost caution.”\(^{458}\) In *Pugh’s Lawn Landscape Co., Inc. v. Jaycon Development Corp.*,\(^{459}\) the Tennessee Supreme Court disavowed

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\(^{456}\) First Options of Chicago, In c. v. Kaplan, 514 U.S. 938, 947 (1995). The *Arnold* court similarly observed that in reviewing a trial court’s decision in an arbitration case, that the court of appeals should apply “ordinary standards.” *Arnold*, 914 S.W.2d at 449. Unaccountably, the *Arnold* court did not cite the standard rule of appellate review of contract interpretation that these issues are questions of law and reviewed de novo.

\(^{457}\) *Pugh’s Lawn*, 320 S.W.3d at 257.

\(^{458}\) *See Arnold*, 914 S.W.2d at 450 (cited in *Adams*, 932 S.W.2d at 934-35).

\(^{459}\) 320 S.W.3d 252 (Tenn. 2010).
this statement from earlier decisions. In restating (and clarifying) the standards for appellate review, the Pugh’s case first noted that, based on a 1995 U.S. Supreme Court decision, the Tennessee Court of Appeals should accept a trial court's findings of fact regarding agreements to submit the issue to arbitration if not “clearly erroneous.” Also, the Pugh’s court said that the Tennessee Court of Appeals should decide questions of law de novo, regardless of whether the trial court has confirmed or denied confirmation of an arbitration award. Thus, the Pugh’s decision commented that “ordinary, not special, standards” of appellate review should apply in arbitration cases and that appellate courts need not “give extra leeway to district courts that uphold arbitrators.”

While the Pugh’s court did correct this error from earlier decisions, the Tennessee Supreme Court did not go far enough. The problem is that the Tennessee Supreme Court has yet to take the next step and rule explicitly that trial and appellate courts in TUAA cases should consider issues of contract interpretation as matters of law reviewed de novo. The prevailing view in American jurisdictions is that “The existence and scope of an arbitration agreement are questions of law that the [appellate courts] review[ ] de novo, applying state law principles governing contract interpretation.”

Indeed, the United States Court of Appeals for the Sixth Circuit in interpreting the closely-related FAA follows the general rule that it will review de novo a district court's holding that the arbitration agreement is invalid and unenforceable (or by necessary inference the

461 Id. at 257-260.
converse principle that the agreement is valid and enforceable).\textsuperscript{463} To the same end, the Tennessee Court of Appeals in a FAA case has said that “A trial court's order on a motion to compel arbitration addresses itself primarily to the application of contract law. We review such an order with no presumption of correctness on appeal.”\textsuperscript{464} Indeed, the Tennessee Supreme Court has repeatedly stated that “[t]he scope of review advanced by the United States Supreme Court has \textit{equal application} in a case under the [TUAA] to the extent that such review furthers the common goal of [the] acts.”\textsuperscript{465} No Tennessee cases were found considering this TUAA/FAA discrepancy in reviewing contract interpretation questions.

\textit{G. Mutual, Final, and Definite Awards}

The next issue pertains to the not-uncommon situation where the arbitration agreement bound the arbitrator to consider “all claims” that the parties presented at the hearing, but where the arbitrator failed to address all the claims. Adjudicating whether an arbitrator has committed this oversight is not a review of the decision on the merits but whether the arbitrator performed the duties stated under the agreement.\textsuperscript{466}

Unlike TUAA, the FAA explicitly covers this point as a ground for vacatur in 9 U.S.C. § 10(a)(4) (the most frequent ground for vacating an award): “where the arbitrators exceeded their

\textsuperscript{463} Cooper v. MRM Investment Co., 367 F.3d 493, 497 (6th Cir. 2004)(also stating that the trial court's fact findings will be upheld except where "clearly erroneous"); \textit{see also} Rosenberg v. BlueCross BlueShield of Tennessee, Inc., 219 S.W.3d 892, 903 (Tenn. Ct. App. 2006)("As a general rule, a court's enforcement of an arbitration provision is reviewed de novo").


\textsuperscript{465} \textit{Pugh's}, 320 S.W.3d at 2578-58 (quoting \textit{Arnold}, 914 S.W.2d at 448 n.2).

powers, or so imperfectly executed them that a mutual, final, and definite award upon the subject matter submitted was not made.” The TUAA is missing the language about the arbitrator “imperfectly executing” his powers such that a “mutual, final and definite award” decision has occurred.\textsuperscript{467}

A commentator makes the following important points in this area,

An award must, on its face, dispose of all issues raised by either party by demand or counterclaim. To avoid controversy as to whether all issues have been finally determined, arbitrators often say in the award that “the award is in full settlement of all claims submitted to arbitration by either party against the other.” There is no requirement for a particular formula or wording, but this language has been accepted by courts as evidence that everything was considered by the arbitrator.\textsuperscript{468}

While Tennessee does recognize that an incomplete arbitration award can be objectionable, the latest on point authority found was pre-TUAA cases.\textsuperscript{469} When faced with this issue, counsel should argue that an incomplete or non-final award violates Tenn. Code Ann. § 29-5-313(a)(1)(C) on the basis that the arbitrator has exceeded his powers, but the counter argument would be that what really has occurred is the arbitrator has not fully performed his duties which is an entirely different theory.

\textsuperscript{467} See Arnold, 914 S.W.2d at 451 (noting this difference between state and federal arbitration law). \textit{Compare} Bell Aerospace Co. Division of Textron, Inc. v. Local 516, 500 F.2d 921, 923 (2d Cir. 1974)(“Courts will not enforce an [arbitration] award that is incomplete, ambiguous or contradictory”).

\textsuperscript{468} MARTIN DOMKE ET AL., DOMKE ON COMMERCIAL ARBITRATION § 33:4 (3d ed. 2008).

\textsuperscript{469} Jackson v Chambers, 510 S.W.2d 74, 76 (Tenn. 1974)(common law arbitral award was not final where the arbitrators rendered two different decisions, \textit{i.e.}, the award was ambiguous); Powell v. Ford, 72 Tenn. 278 (1880) (arbitrators disagreed on the decision).
Because the Tennessee Supreme Court has construed TUAA to mean the grounds for overturning an arbitral award are “limited” and “narrowly construed” to effectuate the legislative intent, a serious question exists in Tennessee on whether an incomplete or non-final award is subject to challenge under the statutory test for vacatur or if the pre-TUAA cases might suffice. It also appears that the alternative theory of modification or correction of awards under Tenn. Code Ann. § 39-5-314 cannot be stretched so far as to cover this substantive oversight.

Perhaps Tennessee should follow the FAA rule that as a matter of common law, judicial review of non-final arbitration awards should occur, if at all, “only in the most extreme cases.” Another alternative is that “If an arbitrator's decision is ‘clear enough to indicate unequivocally what each party is required to do,’ it will be considered a final award even if arithmetical or accounting calculations or similar technical acts remain to be completed.” In any event, it is apparent that a legislative fix would best address this issue.

H. Manifest Disregard of the Law--Is it a Viable Theory?

A number of jurisdictions, state and federal, recognize the arbitrator’s manifest disregard of the law as a basis for vacatur (analyzed above in Section VIII). The policy underlying the manifest disregard theory is that it encourages arbitrators to obey the law and assures that a claimant can vindicate its statutory rights in an effective way. “Thus, the manifest disregard

470 See Arnold, 914 S.W.2d at 449.
471 See supra Section IV.B.
472 See Pacific Reinsurance Management Corp. v. Ohio Reinsurance, 935 F.2d 1019, 1022-23 (9th Cir. 1991).
standard seemingly balances the public's interest in having arbitrators stay within applicable law with the public policy favoring a speedy and economical arbitration process.\(^{474}\)

Unfortunately, this theory of review has an uncertain judicial legitimacy. In *Hall Street Associates, L.L.C. v. Mattel, Inc.*,\(^{475}\) the U.S. Supreme Court made some confusing comments about whether the arbitrator’s manifest disregard of the law was still a viable basis for vacatur.\(^{476}\) Accordingly, the federal appeals courts have divided on whether the arbitrator’s manifest disregard of the law constitutes ground for vacatur in arbitration cases.\(^{477}\)

Some substantial arguments support the rejection of an arbitrator’s “manifest disregard of the law” as a basis for vacatur because this theory lies outside the scope of the Uniform Arbitration Act.\(^{478}\) These dissenting jurisdictions believe that the exception weakens the effectiveness and utility of arbitration because this expansion of judicial review increases costs, reduces efficiencies, and undermines the finality of arbitral awards.\(^{479}\) This camp also maintains that the confusing variety of definitions of “manifest disregard” compounds the difficulties of applying vacatur theory in a consistent manner and also encourages the adoption of other non-statutory theories.\(^{480}\)


\(^{475}\) 552 U.S. 576, 584 (2008).

\(^{476}\) See id. at 585: “Maybe the term “manifest disregard” was meant to name a new ground for review, but maybe it merely referred to the § 10 grounds collectively, rather than adding to them.”


\(^{479}\) Coors Brewing Co. v. Cabo, 114 P.3d 60, 62 (Colo. Ct. App. 2004), citing *Arnold*, 914 S.W.2d at 52.

\(^{480}\) Id.
The better resolution is that the manifest disregard of the law cause of action should be a proper *statutory* basis for vacatur in Tennessee. The theory would be proper when it follows the statutory grounds, i.e., where the arbitrator has exceeded his powers, and is a sufficiently comfortable fit on the facts. For instance, the Second and Ninth Circuit in the federal system accept the manifest disregard theory of vacatur on a statutory (not common law) basis.\textsuperscript{481} In denying vacatur where the arbitrator plainly circumvents the law, those courts rejecting the manifest disregard doctrine can be properly criticized for assisting the arbitrator in poisoning the fount of justice. Thus, even though the arbitrator acts in his private capacity, courts rejecting the manifest disregard doctrine overlook that this official is an adjunct to the machinery of the state where the courts approve and enforce an otherwise legally insupportable arbitral outcome. Undoubtedly, the average claimant losing the case places little stock in the above legalisms justifying the result.

The manifest disregard doctrine, properly cabined, does not confer a roving commission upon courts to right perceived wrongs. Additionally, to say that courts should reject manifest disregard of the law because of the difficulty in drawing a line between serious and less serious statutory errors is no excuse for courts to throw up their hands and avoid line drawing altogether. As Justice Oliver Wendell Holmes wrote almost a century ago in a different context: “Neither are we troubled by the question where to draw the line. That is the question in pretty much everything worth arguing in the law.”\textsuperscript{482}

\textit{I. The Status of the Public Policy Defense}

\textsuperscript{482} Irwin v. Gavit, 268 U.S. 161, 168 (1925) (internal citation omitted); \textit{see also} Dominion Hotel v. State of Arizona, 249 U.S. 265, 269 (1919) (Holmes, J.) (“[T]he constant business of the law is to draw such lines.”).
As stated above, based on the discrepancy between Arnold and Lawrence, where both decisions remain good law,\(^\text{483}\) Tennessee case law is conflicted on the availability of the public policy defense in arbitration cases.

The better view allows use of the public policy defense in limited instances. In effect, when courts in arbitration cases fail to disapprove a contract that transgresses deeply-held notions of public policy, the courts are lending their imprimatur to the enforcement of a void contract.\(^\text{484}\) It is “well settled that a court will not enforce obligations arising out of a contract or a transaction that is illegal.”\(^\text{485}\) When courts review arbitral decisions, there should be nothing controversial about accepting the proposition that “The public policy exception is . . . rooted in the common law doctrine of a court's power to refuse to enforce a contract that violates public policy or law.”\(^\text{486}\)

Putting these statements together, it is a natural step to conclude that Tennessee may and indeed must recognize the public policy restraints on arbitrators regarding impermissible awards. Practitioners in devising their strategy should consider it is not controversial to conclude, “[A] claim forbidden by the law cannot be enforced through the process of arbitration.”\(^\text{487}\)

\textit{J. An Appeal Alternative}

\(^{483}\) See supra notes 387-89 and accompanying text.
Given the strict and narrow grounds for judicial review of a statutory arbitration award, parties should consider the option of including in their arbitration agreement a procedure for a private contractual review panel of appellate arbitrators. The supporting theory would be that Tennessee courts allow parties wide discretion in devising their arbitral procedures. As one commentator points out:

Arbitral appellate review lacks many of the drawbacks of the appellate structure of the court system. Under such arbitral appellate review, the parties could contract to allow for another arbitration panel to review the first panel's findings, and the parties could tailor this review to their own particular values and resources. For example, parties could provide that appellate arbitrators can review only the original arbitrators' application of substantive law, or potential conflicts of the award with existing public policy, or the award's substantive basis in the facts. Moreover, since parties need not wait for their appeal to be taken up in the court system, an appeal could be conducted quickly, thus allowing an aggrieved party the opportunity to challenge the award, but not through a long and costly delay. Of course, both the scope of the arbitral review and the timing of that procedure should be set out in the arbitration agreement before later disputes arise. If given a choice, the losing party to an arbitration proceeding may hope to expand the scope of arbitral review, or to simply prolong that review, in the hopes of securing a more favorable settlement.

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K. *A Vacatur Alternative.*

One could easily get the impression from examining the Tennessee decisions that an aggrieved party could be left without a remedy if it fails to make a valid case for vacatur. Such an impression would be mistaken. A theory available for any action litigated in court derives from Rule 60.02 of the Tennessee Rules of Civil Procedure, which provides:

On motion and upon such terms as are just, the court may relieve a party or the party's legal representative from a final judgment, order or proceeding for the following reasons: (1) mistake, inadvertence, surprise or excusable neglect; (2) fraud (whether heretofore denominated as intrinsic or extrinsic), misrepresentation, or other misconduct of an adverse party; (3) the judgment is void; (4) the judgment has been satisfied, released or discharged, or a prior judgment upon which it is based has been reversed or otherwise vacated, or it is no longer equitable that a judgment should have prospective application; or (5) any other reason justifying relief from the operation of the judgment.\(^{490}\)

Tennessee appellate courts have applied Rule 60.02 to controversies arising from an arbitration matter before a trial court\(^ {491}\) and federal courts have done the same in construing the FAA under the parallel Fed. R. Civ. P. 60.\(^ {492}\) Therefore, practitioners are advised to investigate this avenue in addition to vacatur.


\(^{492}\) Merit Ins. Co. v. Leatherby Ins. Co., 714 F.2d 673, 682 (7th Cir. 1983).
L. The Gap Between the Award and its Confirmation

Tenn. Code Ann. § 29-5-314(a, c) provides that the court cannot confirm the award until the statutory period (90 days) has expired for the losing party to seeking vacatur or modification of the arbitrator’s award. This time lag creates a danger for the prevailing party, because the losing party has three months to dispose of his assets during the interim that could otherwise be used to satisfy the award. Therefore, to prevent possible unfairness to the winning party, Tennessee should adopt the procedure in the Revised Uniform Arbitration Act, Section 22, and the FAA that the court’s jurisdiction vests immediately after the award’s entry, which helps ensure that the losing party is not tempted to circumvent the arbitral process.

VII. CONCLUSION

Arbitration as a technique for alternative dispute resolution can frequently be a desirable process for one or both parties. Counsel and their clients will decide this matter in light of the factual, legal, and strategic considerations favoring or disfavoring their position in the dispute. This article will have met its purpose where counsel for claimants and respondents, along with arbitrators, trial courts, and appellate courts, can use the information I have presented in such a way that it enhances the quality of civil justice in Tennessee.

493 “After a party to an arbitration proceeding receives notice of an award, the party may make a [motion] to the court for an order confirming the award at which time the court shall issue a confirming order unless the award is modified or corrected pursuant to Section 20 or 24 or is vacated pursuant to Section 23.”