

PROJECTS

Does a Right to a Physical Hearing Exist in International Arbitration?

KINGDOM OF BAHRAIN

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a. Parties' Right to a Physical Hearing in the Lex Arbitri

1. Does the lex arbitri of your jurisdiction expressly provide for a right to a physical hearing in arbitration? If so, what are its requirements (e.g., can witness testimony be given remotely, etc.)?

Short answer: No.

Arbitration in Bahrain, both domestic and international, is primarily governed by the 2015 Arbitration Law.¹ It consists of two parts; (i) the "Enabling Law" which sets out nine articles dealing with issues concerning the scope of application, competent court, party representation and arbitrators' immunity, and (ii) the *entire* text of the 1985 UNCITRAL Model Law on International Commercial Arbitration (with amendments

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¹ Promulgated by Decree No. 9 of 2015 and entered into force on 9 August 2015. The official Arabic text is available in the Bahraini Official Gazette No. 3217, published on 9 July 2015, at pp. 109-156. An English translation is available in "Law No. 9/2015 Promulgating the Arbitration Act" in ICCA *International Handbook on Commercial Arbitration* (henceforth *Handbook*). Note: Article 1 of the Annexed Law provides that *other* arbitration regimes including institutional arbitration, mandatory/compulsory arbitration and sector-specific arbitration regimes *may exist alongside* the 2015 Arbitration Law. For example, labour arbitration follows the Bahrain Labour Law. See Articles 156-165 of the Labour Law for Private Sector No. 36 of 2012, published in Official Gazette No. 3063 on 2 August 2012. On the other hand, arbitration regarding stock disputes is subject to the Central Bank of Bahrain Rules of Bahrain. See Central Bank of Bahrain's Rule Book, Vol. 6 (Dispute Resolution, Arbitration and Disciplinary Proceedings Modul), a summary of which can be found in Section 9.11 (pp. 73-74) of the Bahrain Bourse's Market Rules of July 2019. A copy of the Market Rules is available at https://www.bahrainbourse.com/resources/files/Market-Rules%2005.08.2019.pdf> (last accessed 30 January 2021).

adopted in 2006) (the "Annexed Law").² The Annexed Law is a *verbatim* copy of the Arabic text of the UNCITRAL Model Law.³

There are currently two arbitration institutions in Bahrain. The first is the Bahrain Chamber for Dispute Resolution (the "BCDR") established in 2009. Its current arbitration rules have been in effect since 2017 (the "BCDR Arbitration Rules"). The second arbitration institution is the Gulf Cooperation Council Commercial Arbitration Centre (the "GCCCAC"), a regional arbitration institution established in 1993. Its Arbitration Rules were issued in 1994 and amended in 1999.⁴

We will defer to the arbitration rules of these two institutions when and where appropriate.

Generally speaking, it is important to recall, at the outset, three fundamental principles of arbitration law that underscore the whole of the arbitration process: the autonomy of the parties, the parties' right to equal treatment and the full opportunity of presenting their case.

These three principles inform the authority of the parties and arbitral tribunals in determining the rules of procedure and the conduct of the arbitral proceedings, including the manner in which to organize written submissions and whether to hold oral hearings (physical or otherwise). Put simply, it is the parties' right to equal treatment that the law guarantees and protects, not the right to a physical hearing. If the arbitral tribunal conducts a hearing, physical or otherwise, where the parties are treated equally, it is unlikely that a court would take issue with the fact that a hearing was conducted either physically or virtually.

Within this framework, parties are free to agree on the conduct of the proceedings and the manner in which hearings may be conducted. Of course, in the absence of the agreement of the parties, the tribunal can determine whether an "oral hearing" is required at all or if the case can be decided merely on the basis of written submissions and documentary evidence.⁵ In general, the Law grants the arbitral tribunal wide discretion to conduct the proceedings in a manner it deems appropriate. And when considering the manner in which to conduct a hearing, the arbitral tribunal has an obligation to conduct proceedings in a fair and efficient manner.

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² Including its Part 2 (Explanatory Note issued by the UNCITRAL Secretariat on the Model Law on International Commercial Arbitration) and Part 3 (Recommendation regarding the interpretation of article II, paragraph 2, and article VII, paragraph 1, of the Convention on the Recognition and Enforcement of Foreign Arbitral Awards, done in New York, 10 June 1958, adopted by the United Nations Commission on International Trade Law on 7 July 2006 at its thirty-ninth session). For more details, see "National Report Bahrain" in *Handbook*.

³ UNCITRAL, Model Law on International Commercial Arbitration, Arabic text available at https://uncitral.un.org/sites/uncitral.un.org/files/media-documents/uncitral/ar/19-09953_a_ebook.pdf (last accessed 30 January 2021).

⁴ For more information on the BCDR and GCCCAC, see "National Report Bahrain" in *Handbook*.

⁵ Article 24 of the Annexed Law.

In the context of Bahraini law, Article 24 of the Annexed Law is most relevant. Article 24(1) does not mention physical hearings but it ensures the entitlement of each party to oral hearings, unless, of course, the parties have already agreed that no oral hearings shall be held.

Similarly, the BCDR and the GCCCAC Arbitration Rules do not require physical hearings. We will expound on this in some detail below.

2. If not, can a right to a physical hearing in arbitration be inferred or excluded by way of interpretation of other procedural rules of your jurisdiction's lex arbitri (e.g., a rule providing for the arbitration hearings to be "oral"; a rule allowing the tribunal to decide the case solely on the documents submitted by the parties)?

Short answer: It can neither be inferred nor excluded.

As mentioned above, the Annexed Law, the GCCCAC and BCDR Arbitration Rules, while being silent on physical hearings, all refer to "oral hearings". There are three points to be made in this context.

The first is that under Bahraini Law, oral hearings are supplementary and/or complementary to the written submissions. Thus, Article 24(1) of the Annexed Law reads: "Subject to any contrary agreement by the parties, the arbitral tribunal shall decide whether to hold oral hearings [...] or whether the proceedings shall be conducted on the basis of documents and other materials".7

Similarly, Article 21 of the GCCCAC Arbitration Rules reads: "[T]he Tribunal shall have the option either to hold such hearings or to go ahead with the proceedings on the basis of the papers and documents, provided that at least one hearing has already been held". The BCDR Arbitration Rules, however, do not have an equivalent Article.

The second point to be made here is that, according to the Annexed Law and the GCCCAC Rules, a tribunal is *obligated* to have an oral hearing if one of the parties requests it. 10 Indeed, under the GCCCAC Rules, a tribunal *must* have at least one hearing in a case. In contrast, the BCDR Rules mention oral hearings in the context of witnesses

Thirdly, it is worth noting that under the Bahraini *lex arbitri*, the arbitral tribunal may hear witnesses of fact or expert witnesses in any manner it may consider appropriate.

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⁶ Article 24 of the Annexed Law, Article 21 of the GCCCAC Rules (English text available http://www.gcccac.org/images/english-pdf/2.2_arbitration_procedures.pdf; accessed 30 January 2021) and Article 22(1) of the BCDR Rules (English text available at https://www.bcdr-aaa.org/downloads/2017_BCDR-AAA_Arbitration_Rules_-

_English.pdf>; last accessed 30 January 2021).

⁷ Emphasis added. See also fn. 6 above.

⁸ Article 21 of the GCCCAC Arbitration Rules (emphasis added).

⁹ Article 22(1) of the BCDR Arbitration Rules.

¹⁰ Article 24 of the Annexed Law and Article 21 of the GCCCAC Arbitration Rules.

There is no obligation on the tribunal to hear witnesses in a physical hearing and witnesses may give evidence remotely. The BCDR Arbitration Rules are most helpful in this regard; thus, Article 22(7) of the Rules reads: "the arbitral tribunal may direct that witnesses be examined in person or by telephone or video conference". Whereas, under the GCCCAC Arbitration Rules, witnesses *may* give evidence verbally and again, there is no requirement for a witness to do so in a physical hearing.

Thus, the right to a physical hearing in arbitration *per se* cannot be inferred or excluded by means of interpreting other procedural rules of the Bahraini *lex arbitri*. In contrast the law concerning the requirement of "oral hearing" is clear and should be understood in the context of the three points mentioned above.

b. Parties' Right to a Physical Hearing in Litigation and its Potential Application to Arbitration

3. In case the lex arbitri does not offer a conclusive answer to the question whether a right to a physical hearing in arbitration exists or can be excluded, does your jurisdiction, either expressly or by inference, provide for a right to a physical hearing in the general rules of civil procedure?

Short answer: Yes.

Generally speaking, civil and commercial litigation proceedings before the national courts of Bahrain are governed by two pieces of legislation: (i) Legislative Decree No. 12 of 1971 Promulgating the Civil and Commercial Procedures Law (the "CCPL"); and (ii) Legislative Decree No. 14 of 1996 Promulgating the Law of Evidence in Civil and Commercial Matters.

The CCPL provides for physical hearings and ensures that all hearings are conducted under the "control and direction" of the President of the Court.¹¹ The CCPL expressly states that the Court may order litigants and parties to appear before the court "in person",¹² and summon witnesses to appear physically.¹³

However, the 2018 amendment to the CCPL¹⁴ authorized the Minister of Justice to issues procedural rules and directives that apply to the workings of the case management offices including rules concerning, *inter alia*, the physical attendance of the parties for the purposes of filing the case.

In 2019, Article 62 bis of the CCPL was promulgated further authorizing the Minister of Justice to issue the necessary directives regarding protocols for the conduct of

¹³ *Ibid.*, Article 108.

¹¹ Article 60 of the CCPL.

¹² *Ibid.*. Article 45.

 $^{^{14}}$ Law No.18 of 2018, Amendment to CCPL, published in Official Gazette No. 3367 on 24 May 2018, pp. 6-8.

hearings and case management.¹⁵ Now, parties can make applications, check on the status of applications and make any submissions to the court through an online system. The only exception to the rule was with regard to witnesses. Although the court has the power to authorize witnesses to give evidence remotely, it usually requests witnesses to appear physically before the court in order to give testimony. More details on this topic can be found in the COVID related section below.

4. If yes, does such right extend to arbitration? To what extent (e.g., does it also bar witness testimony from being given remotely)?

Short answer: No, it does not.

Until the issuance of the 2015 Arbitration Law, domestic arbitration was subject to Chapter Seven of the CCPL and international commercial arbitration was subject to the Arbitration Law of 1994. This changed in 2015 when Article 8 of the Enabling Law repealed Chapter Seven of the CCPL and the 1994 Arbitration Law. Either way, it would be paradoxical if the right to a physical hearing extended to arbitration, especially in light of the recent incremental changes that the courts have undergone and the increasing use and support of electronic proceedings.

c. Mandatory v. Default Rule and Inherent Powers of the Arbitral Tribunal

5. To the extent that a right to a physical hearing in arbitration does exist in your jurisdiction, could the parties waive such right (including by adopting institutional rules that allow remote hearings) and can they do so in advance of the dispute?

Short answer: N/A

As mentioned above, the 2015 Arbitration Law *does not* provide for physical hearings and there is no extension of the right to a physical hearing from the CCPL. Therefore, parties are free to agree to hold remote hearings or to adopt the rules of an arbitral institution that expressly allow for remote hearings.

The GCCCAC Arbitration Rules do not specifically mention remote hearings. This is perhaps understandable since they have not been amended since 1999. In contrast to the GCCCAC, the introduction and promotion of electronic mechanisms in arbitral proceedings is one of the main features of the 2017 BCDR Arbitration Rules. Hence Article 16(3) of the Rules provides that: "The arbitral tribunal shall, promptly after being appointed, conduct a preliminary conference with the parties, in person or by video or telephone conference [...] In establishing procedures for the case, *the arbitral tribunal*

¹⁵ Law No. 21 of 2019, Amendment to CCPL, published in Official Gazette No. 3439 on 3 October 2019, pp. 7-9.

¹⁶ For more details, see "National Report Bahrain" in *Handbook*.

and the parties may consider how technology, including electronic communications, might be used to increase the efficiency and economy of the proceedings".¹⁷

6. To the extent that a right to a physical hearing in arbitration is not mandatory or does not exist in your jurisdiction, could the arbitral tribunal decide to hold a remote hearing even if the parties had agreed to a physical hearing? What would be the legal consequences of such an order?

Short answer: In principle, it could not.

Absent mandatory rules or other unforeseen circumstances, the principle of the autonomy of the parties is paramount in the Bahraini *lex arbitri*. This principle is held in high regard by the Bahraini courts. Thus, for example, in Case No. 75/2007, the Cassation Court of Bahrain commented that "the lower court is not to deviate from express terms of the arbitration clause when the terms are clear". In a similar vein, in Case No. 433/2002, the Court of Cassation held that "arbitration is founded on the agreement of the parties and an arbitrator has an obligation to comply with the agreement". Indeed, there are many judgements that uphold the sanctity of party autonomy. Although none of these cases deal with the right of a party to a physical hearing, they do highlight and confirm that the local courts will likely uphold any agreement of the parties unless it violates the principle of equal treatment.

d. Setting Aside Proceedings

7. If a party fails to raise a breach of the abovementioned right to a physical hearing during the arbitral proceeding, does that failure prevent that party from using it as a ground for challenging the award in your jurisdiction?

Short answer: Yes.

As stated above, Bahraini law does not provide for the right to a physical hearing in arbitration *per se*. However, assuming that such a right could be established under certain circumstances, a party would have to object to any violation thereof during the proceedings, in order to later challenge the award based on such violation. Under

¹⁸ Cassation Court, Case No. 75/2007 issued on 7 January 2008, 3 International Journal of Arab Arbitration (2011) p. 33.

¹⁷ Emphasis added.

¹⁹ Cassation Court Case No. 433/2003 issued on 17 November 2003, 2 International Journal of Arab Arbitration (2010) p. 107.

²⁰ See, e.g., High Court Case No. 6937/2020 issued on 28 July 2020; Cassation Court Case No. 206/2006 issued on 11 December 2006.

Bahraini law, if a party is aware that a provision of the law or the arbitration agreement has not been complied with, and proceeds with the arbitration without raising any objections, that party is considered to have waived its right to object.²¹ The BCDR Arbitration Rules have a similar provision (Article 39),²² whereas the GCCCAC Arbitration Rules are silent on this point.

8. To the extent that your jurisdiction recognizes a right to a physical hearing, does a breach thereof constitute per se a ground for setting aside (e.g., does it constitute per se a violation of public policy or of the due process principle) or must the party prove that such breach has translated into a material violation of the public policy/due process principle, or has otherwise caused actual prejudice?

Short answer: N/A

As clarified above, a right to a physical hearing *per se* does not exist in arbitration in Bahrain. Therefore, it is not possible to provide an answer to this question.

9. In case a right to a physical hearing in arbitration is not provided for in your jurisdiction, could the failure to conduct a physical hearing by the arbitral tribunal nevertheless constitute a basis for setting aside the award?

Short answer: Not likely.

Overall, the grounds for challenging awards are restrictive and narrow and can be found in Article 34 of the Annexed Law,²³ Article 24 of the Legislative Decree 30/2009 concerning the establishment of the BCDR,²⁴ and Article 36(2) of the GCCCAC

²¹ Article 4 of the Annexed Law.

²² Article 39 of the BCDR Arbitration Rules reads: "A party who knows of any non-compliance with any provision or requirement of the Rules or the Arbitration Agreement and proceeds with the arbitration without promptly stating its objections in writing to the Chamber (before the appointment of the arbitral tribunal), or the arbitral tribunal (after its appointment), waives the right to object".

²³ Which is identical to Article 34 of the UNCITRAL Model Law.

²⁴ Article 24(a) of Legislative Decree 30/2009 reads: "The parties before the Chamber, in accordance with the provisions of this section, may challenge before the Cassation Court the award issued by the Dispute Resolution Tribunal. They may also submit before the same court a petition against the order issued by the High Court of Appeal concerning the enforcement request, within the period stipulated in article (23) of this law, for any of the following reasons: (1) Nullity of the Agreement to settle the dispute before the Chamber due to incapacity of one of the parties or due to this agreement contravening provisions of the applicable law chosen by the parties. (2) The challenger or the petitioner was not served a

Arbitration Rules, respectively.²⁵ These grounds are all meant to be *exhaustive*. The practice of the local courts shows that they apply a narrow interpretation to the grounds for annulment and are mainly reluctant to set aside an arbitral award. In this spirit, it is unlikely a court would set aside an award due to the fact that there was no physical hearing. That being said, if an award is to be challenged on these grounds, it is likely to fail unless the challenger can show that it was deprived of its right to a fair proceeding,²⁶ or an oral hearing that was agreed upon by the parties or requested by on party did not take place.

e. Recognition/Enforcement

10. Would a breach of a right to a physical hearing (irrespective of whether the breach is assessed pursuant to the law of your jurisdiction or otherwise)

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notice in a proper manner regarding the appointment of a member of the Dispute Resolution Tribunal or the dispute resolution procedures or was not enabled to present his defence. (3) Composition of the Dispute Resolution Tribunal or the dispute resolution procedures are contrary to what was stipulated in the parties' agreement. (4) The Dispute Resolution Tribunal award dealt with an unintended dispute or one not contained in the submitted agreement or contains orders in matters outside the scope of the agreement. However, if it was possible to isolate the orders related to the submitted matters to the Tribunal from the other orders not submitted thereto, then it is not permissible to set-aside the Dispute Resolution Tribunal award except that part which contains the orders related to the matters which were not to be submitted to the tribunal. (5) The award of the Dispute Resolution Tribunal contradicts the public order in the Kingdom of Bahrain". English text available at https://www.bcdr-aaa.org/downloads/En_Legislative_Decree_no_30.pdf (last accessed 30 January 2021).

²⁵ Article 36(2) of the GCCCAC Arbitration Rules reads: "The relevant judicial authority shall order the enforcement of the arbitration award unless one of the litigants files an application for the annulment of the award in the following specific events: (a) If it is passed in the absence of an Arbitration Agreement or in pursuance of a null Agreement, or if it is prescribed by the passage of time or if the arbitrator goes beyond the scope of the Agreement. (b) If the award is passed by arbitrators who have not been appointed in accordance with the law, or if it is passed by some of them without being authorized to hand down a ruling in the absence of others, or if it is passed pursuant to an Arbitration Agreement in which the issue of the dispute is not specified, or if it is passed by a person who is not legally qualified to issue such award. Upon the occurrence of any of the events indicated in the above two paragraphs, the relevant judicial authority shall verify the validity of the annulment petition and shall pass a ruling for non-enforcement of the arbitration award".

²⁶ Article 18 of the Annexed Law requires equal treatment of and full opportunity for each party to present its case. See also Article V(1)(b) New York Convention; Article 34(2)(a)(ii) of the Annexed Law, stating that an award may be annulled if a party was not given proper notice of the proceedings or was otherwise unable to present its case.

constitute in your jurisdiction a ground for refusing recognition and enforcement of a foreign award under Articles V(1)(b) (right of the party to present its case), V(1)(d) (irregularity in the procedure) and/or V(2)(b) (violation of public policy of the country where enforcement is sought) of the New York Convention?

Short answer: Not likely.

Bahrain signed the New York Convention on 6 April 1988 and incorporated verbatim into domestic law by way of Legislative Decree No. 4 of 1988 on 15 March 1988 which entered into force on 17 March 1988.

There is little guidance that can be drawn from local case law on the application of the New York Convention.²⁷

It is therefore difficult to predict how the courts would deal with the question of whether a violation of the right of the parties to a physical hearing may be serve as a ground for refusing recognition of an arbitral award. Nevertheless, the competent court would be inclined to refuse enforcement if there is a *clear* violation of public policy or if there is a serious concern regarding the arbitrability of the dispute or there is an indication that the tribunal has gone beyond the scope of the arbitration agreement.

f. COVID-Specific Initiatives

11. To the extent not otherwise addressed above, how has your jurisdiction addressed the challenges presented to holding physical hearings during the COVID pandemic? Are there any interesting initiatives or innovations in the legal order that stand out?

Short answer: Yes.

The Bahraini judiciary has recognized the need to modernize the protocols and procedures of the courts before the spread of the global COVID pandemic in 2020. In 2019, the parliament passed Decree-Law No. 21 of 2019 which amended several provisions of the CCPL. Most importantly, Article 62 *bis* of the CCPL was amended to authorize the Minister of Justice to issue regulations and resolutions regarding the use of electronic means and work towards establishing flexible and efficient court procedures.²⁸ Following this amendment, the courts began implementing new mechanisms which were focused on introducing electronic and online submissions systems in order to eliminate physical hearings. With the new changes in place, cases

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²⁷ The reference to the New York Convention is likely to continue to wane in light of the new 2015 Arbitration Law, which is identical to the UNCITRAL Model Law on International Commercial Arbitration.

²⁸ Decree Law No. (21) of 2019 amending some provisions of the CCPL, published in Official Gazette No. 3439 on 3 October 2019.

could be filed electronically, e-notifications replaced regular notifications (mail courier and physical service) and parties and litigants could submit applications, requests and written submissions electronically. Litigants and parties could also file new cases and review existing cases through the online portal.²⁹

Following this amendment to the CCPL, and in response to the COVID pandemic, the Minister of Justice issued a number of directives to ensure more flexibility in court procedures and protocols:

- (i) Directive No. (10) of 2020 limiting the number of physical hearings and encouraging litigants to rely on the online system to make applications and submissions to the court.
- (ii) Directive No. (35) of 2020 concerning the issuance of new procedures for small claim cases. These procedures allowed the court to eliminate physical hearings and implement electronic submissions and management of cases.
- (iii) Directive No. (41) of 2020 concerning small claims (not exceeding BHD 5,000), which follow the same procedures set out in Decision No. 35 of 2020 mentioned above.³⁰
- (iv) Directive No. (42) of 2020 regarding electronic procedures pertaining to civil and commercial cases. This Directive confirmed that court judgments rendered electronically are valid; prior to this Directive, the court judges had to deposit a draft of the judgment (*Miswadat Al Hukum*) with the court clerk; this was a requirement for all judgements.³¹
 - (v) Directive No. (45) of 2020 concerning electronic procedures for labour cases.
- (vi) Directive No. (46) of 2020 concerning the electronic procedures in civil appeal court and cassation court cases.³²
- (vii) Directive No. (47) of 2020 concerning the introduction of electronic procedures, enabling individuals to submit disputes to the Rent Disputes Committee.³³
- (viii) Directive No. (75) of 2020 setting out electronic procedures for submitting claims online.
- (ix) Directive No. (76) of 2020 setting out the electronic procedures for submitting an application for rehabilitation and training programs. ³⁴
- (x) Directive No. (101) of 2020 setting out the electronic procedures for submitting judicial requests and documents required for progressing with a lawsuit.³⁵

²⁹ Under court services, e-government portal, at https://www.bahrain.bh (last accessed 30 January 2021).

³⁰ Minister of Justice Decision No. (41) of 2020 issued in March 2020.

³¹ Minister of Justice Decision No. (42) of 2020 issued in March 2020.

³² Minister of Justice Decision No. (46) of 2020 issued on 2 April 2020.

³³ Minister of Justice Decision No. (47) of 2020 issued on 2 April 2020. Note: The Rent Disputes Committee is a judicial court which specialized in resolving rent disputes.

³⁴ Minister of Justice Decision No. (76) of 2020 issued on 8 July 2020.

³⁵ Minister of Justice Decision No. (101) of 2020 issued on 8 October 2020.

To follow suit, in 2020, in response to the COVID pandemic and as a continuation of the evolution of the court procedures, the Parliament approved amendments to the Criminal Procedures Law to allow the criminal court to hold hearings via video conference.³⁶

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³⁶ Article 218(3) of Legislative Decree No. 46 of 2002 the Criminal Procedures Law. See Official Gazette No. 3465 published on 2 April 2020.