THE INSTITUTION OF A NATIONAL AND CROSS-BORDER ECONOMIC MEDIATION AS AN ALTERNATIVE METHOD FOR SETTLING DISPUTES BETWEEN ENTREPRENEURS

INštitúcie národnéj a cezhraničnej hospodárskej mediácie/sprostredkovania ako alternatívna metóda pre riešenie sporov medzi podnikateľmi

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ABSTRACT
The subjects of the discussion are issues concerning economic mediation (also referred to as business mediation) as an alternative method of solving disputes amongst entities pursuing business activity; an alternative to judicial proceedings. Due to the mutual benefits coming from the mediation its conduct gives the parties the opportunity to determine their own expectations and to suggest and develop such solutions of the disputed issues that will be mutually acceptable. Mediation as an alternative form of solving disputes is applicable both in the terms of the fulfilment of the conditions of contracts between entrepreneurs and also in situations related to changes in organizational and legal forms. The analysis includes issues of economic mediation with domestic entities as well as the principles of carrying out mediation of a cross-border character including those related to the same agreement with cross-border mediation and concluded, within its framework, settlement of legal conflicting issues.
INTRODUCTION

The execution of contracts within relations among traders often encounter practical difficulties, which most common source is either failure to fulfil or misperformance of contractual obligations. Emerging disputes and claims put forward by the parties can be enforced both in court and by asserting claims in out-of-court mode ADR (Alternative Dispute Resolution), which are becoming increasingly popular. They are used both to resolve disputes already existing and those disputes connected with the agreement between the parties that may arise in the future, e.g. in relation to the implementation of temporary contracts. Having regard of the fact that the numerous lawsuits brought to court and extended time of their settlement, the way of an amicable settlement is an interesting and a much faster way of solving the conflict.

Mostly it takes the form of arbitration or mediation. The basic difference between arbitral proceedings and mediation comes down to different legal qualifications and duties of the two types of proceeding functions. Arbitration, as opposed to the mediation, holds a judicial function. Its essence adds up to bringing the legal case to court of an arbitration agreement by entities in conflict or those that could be in conflict in the future due to the contractual relationship that binds them.

This provision means that arbitration court, established by the entities, after considering the gathered evidence will determine and reach the verdict. The basis of its operation is the will of the parties (arbitration clause) and provisions of the Code of Civil Procedure (CCP). The arbitration award has the same legal effect as a state court’s decision. Mediation\(^1\), on the other hand, constitutes a particular way of resolving disputes by the conflict entities, which voluntarily and independently under the guidance of a mediator aim to achieve a mutually satisfactory compromise. It is this very feature of mediation is, due to the lack of solutions imposed from the outside, an effective means, and an independently developed settlement and rules for its implementation provide a good chance for their respect.

I. THE NATURE OF MEDIATION

Directive 2008/52/EC of the European Parliament and of the Council of 21 May 2008 on certain aspects of mediation in civil and commercial matters (Directive 2008), in Article 3, paragraph a, defines mediation as follows: “Mediation’ means a structured process, however named or referred to, whereby two or more parties to a dispute attempt by themselves, on a voluntary basis, to reach an agreement on the settlement of their dispute with the assistance of a mediator. This process may be initiated by the parties or suggested or ordered by a court or prescribed by the law of a Member State. It includes mediation conducted by a judge who is not responsible for any judicial proceedings concerning the dispute in question. It excludes attempts made by the court or the judge seised to settle a dispute in the course of judicial proceedings concerning the dispute in question\(^2\).”

Typical distinguishing features of mediation include, first of all, the voluntary basis of the participation in a mediation. Even in the situations when we are dealing with so-called Mediation of legal referrals, the main condition to carry it out is prior to consent of the entities. Secondly, it gives a great deal of flexibility for the parties in finding satisfactory solutions to these contentious issues. The only limitation is the need to adapt the provisions of an agreement to applicable law, because the agreement must be likely to be realised, which is of particular importance in the context of cross-border economic mediation.

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\(^1\) Mediation is often referred to as “mediation proceedings” which, in view of the importance of language is a non-undoubtedly correct, however it may cause wrong assumption as to its judicial function.

The third of the characteristic features is the participation in the mediation of an impartial mediator, whose task is to watch over the course of mediation, direct conversations which are being carried out within the framework, striving to identify the parties to compromise and prepare, in accordance with the law and the will of the parties, a feasible settlement. Regulations included in Directive 2008 and the Act of 17 November 1964, The Code of Civil Procedure (CCP)\(^3\) in the field of mediation are converged to needs and methods of entry into the civil law institution of mediation\(^4\). Rating of the identified characteristics, in terms of regulation of the Article 10 of CCP, confirms that, in accordance with the general rules of civil procedures in cases where a settlement is acceptable should be pursued to attempt its execution.

Within the basic division the mediation can take the form of judicial or contractual mediation. In the current legal state the judicial mediation takes place when it is issued by the court at which proceedings are being pended, the decision to refer the parties for mediation. In the case of contractual mediation, the parties themselves decide to skip the judicial settlement of the dispute and opt for mediation mode. The type mediation can also affect the manner of its initiation. The initiation of the contractual mediation takes place upon the delivery of the request for mediation to the mediator, together with an evidence for the delivery to other party. The basis for conducting it is a mediation agreement in which the parties define the subject matter of the mediation, the mediator or the manner of choosing (Art. 1831§3 CCP). The subject of the mediation can be defined either as an indication of a dispute or legal relationship between the entities, of which the very dispute had arisen. They are most commonly based on the contractual relations, but there is no legal obstacle for the mediation to concern the legal relationships that do not have their source in the contract (e.g. unilateral acts). The legislation does not provide for any formal restrictions for the mediation agreement, and therefore each form is permitted is in this case. Whereas the basis for judicial mediation is the decision of the court, although due to the voluntary nature of the mediation, the parties must approve it in the form of the agreement for the mediation (art.1838 CCP). In contractual mediation, the parties themselves select a mediator, whereas in judicial mediation the court appoints a mediator, but the entities can choose other mediator than the one specified by the court.

In the current legal situation a natural person with full legal capacity, enjoying full civil rights may be a mediator. The legislation does not differentiate requirements for candidates for mediators conducting judicial and contractual mediations. However, given the large variations in the degree of complexity of each one being the subject of mediation situations, especially in economic matters it seems to be necessary to require a professionally prepared mediator whose knowledge, especially within the law, will allow to construct a workable settlement\(^5\).

The mediator (whether a court-appointed mediator or indicated in the agreement on a mediation) should immediately take mediation steps. The procedural angle states that it is the mediator who shall determine the date and place of the mediation meeting by informing the both parties. The very initiation of the mediation affects the limitation periods, since, in accordance to the provisions of the Civil Code (Art. 123 § 1 point 3) the initiation of mediation

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\(^4\) As pointed out by S. PIECKOWSKI, both comparable regulations in a comprehensive manner relate to: civil and commercial matters, with one, abovementioned, fundamental exception: The directive applies only to cross-border disputes, while regulation in the Code of Civil Procedure refers only to civil matters, where a settlement is acceptable. In accordance with the principle of subsidiarity and proportionality the Directive focuses on mediation in the context of the process as regulating issues “at the crossroads” between the mediation and the proceedings, clearly declaring that conventional mediation, its course, selection and accreditation of a mediator have been left with freedom of the entities and also the possibility to address these issues to the national regulations. The solutions included in Code of Civil Procedures regulate the sphere of conventional mediation and procedural mediation in the wider scope than it results from the Directive, S. Pieckowski, Mediation in commercial matters. Legal status of, Warszawa 2012, p.11-12.

\(^5\) These specific requirements shall apply to the international mediations conducted by mediators of the UNESCO International Mediation Centre.
terminates the limitation period for claims. At the same time, this effect will occur only in a relation to contractual mediation, as in the case of judicial mediation the limitation period occurs earlier, as a result of taking court actions (filing a lawsuit).

The character of mediation is for the entities to work together towards reaching an agreement. The rule is that every information disclosed during the mediation is confidential. The obligation of confidentiality applies to both; the entities and the mediator. The importance of the principle of confidentiality is particularly significant for mediations that are the subject of controversy in the field of economic affairs, where the information disclosed during the negotiations, may have their economic consequences. During mediation, the mediator is impartial and its role is to conduct the conversation that is pursued by the parties, in such a way that the entities will identify the possibility of an agreement and reach a settlement.

Mediation aims to reach a settlement, the contents of which are determined by the parties with the help of the mediator. It is the parties’ conviction of the legitimacy of the accepted solutions is a guarantee of their performance in the future, whereupon the secure mode of this embodiment is approved by a court settlement between the parties. The provisions indicate the fact that through signing the agreement the parties agree to apply to the court for its approval. This means giving the mediation agreement the same, as the legal court settlement, consequences and the settlement concluded before a mediator and marked by a court with enforcement title is carried out under the provisions on judicial enforcement.

The mediator draws up a report\(^6\) of the course of the mediation and the copies are delivered to the entities and the court. The content of the agreement between the parties shall be entered in either the content of the report or in a separate document. The signature signed by sides under the text of the agreement constitutes simultaneously their consent for the mediator to apply to the court to approve the settlement.

For both types of mediation (contractual and judicial) the rules point to the same regulations for their approval. The reasons that cause the denial of approval are inter alia; contradiction in the settlement with the law, the contradiction in the settlement with the principles of social coexistence, and a declaration that the provisions of the agreement are intended to circumvent the law. The court will also refuse to approve the settlement when the settlement is confusing or contradictory.

The mediation proceedings are not covered by legal costs, which does not mean that they are not associated with it no expenditure. Mediator must be paid (unless it was agreed upon that the mediation will be without pay) and reimbursement of costs incurred in connection with the mediation should be provided. The abovementioned remuneration and reimbursement of expenses charge the entities of the mediation. Within the contractual mediation the mediator's remuneration it is subjected to freedom of contract, and in judicial mediation the remuneration is defined in the Regulation on the remuneration and recoverable tax expenses of the mediator in civil matters.

II. ECONOMIC MEDIATION

Being one of the forms of mediation of a specific range of subject and object levels, economic mediation shows some relevant particular features. The first is the subjective scope. The participants of the mediation are business entrepreneurs in various organizational and legal forms. They can be either sole proprietorship or performing professional services, partners of partnerships and representatives authorized to represent the entities with legal personality. For the economic mediation is characteristic of it in addition to the primary objective of

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\(^6\) The place and the period of mediation, the identity of the parties and the mediator as well as the outcome of the mediation are indicated in the protocol.
mediation, which is to solve disputes in an acceptable manner to both parties, a further target frequently appears; the necessity to keep regular business contacts, which, despite of the dispute they want to maintain in the future. The literature emphasizes that due to the fact that the dispute that had occurred between entrepreneurs may have an effect on their reputation and market image change; an additional goal of mediation is to maintain the current positive image as an honest trade partner.\(^7\)

The scope of the economic mediation is very wide and the only limitation is still inadmissible of an amicable settlement of the dispute, which in the context of the already mentioned general principle of amicable settlement of Art. 10 of CCP the dispute is an extremely rare situation. The exemption of the admissibility of mediation is indicated by Art. 1 paragraph 2 of the Directive 2008 in the scope of laws and obligations which, in accordance with the appropriate force-limiting law, the parties cannot freely dispose of, and in terms of revenue, customs or state responsibility for acts or omissions in the execution of public authority (acta jure imperii). Within economic matters mediation involves the most commonly disputes on the two basic categories of cases; the first involving misunderstandings of the way of the execution or termination of contracts, issues regarding timeliness to perform the contractual obligations including payment disputes arising from contracts claims and penalties as disputes related to copyright and the wider industrial ownership. The second one includes issues related to the transformation of the legal form of the entity and property rights related to it. For example, one can indicate disputes arising in the merger, acquisition or sale of the company, claims having their source in the proceedings against recovery or bankruptcy proceedings of a company. Additionally, there are cases relating to claims of business partners (shareholders) to a company, or the company as an entity to the board.\(^8\)

Due to the fact that in most cases the cause of the dispute is a disagreement also the psychological aspect of mediation is not without significance. As noted by Ch. W. Moore, ‘psychological satisfaction can be achieved by creating a growing sense contentment that reached agreement concerning the material and implementation matters, making that the parties feel respectfully and clearly heard by the other parties and the mediator to give them a chance to get from the other participants a satisfactory dose of recognition and acceptance of the role adopted in the conflict’.\(^9\)

The aim of the economic mediation, like any other, is to achieve an agreement that will satisfy both sides. The conditions of the implementation are both; the will on both sides to reach an agreement (also called conciliation) as well as their active participation in all mediation procedures for each of its stages. The safety guarantee of the conducted mediation are on the one hand, the principle of freedom and on the other the principle of confidentiality. In accordance with Art. 1834 § 1of CCP in contrast to the judicial proceedings mediation proceedings are not public. The mediator is obliged to keep the facts, which he had learned in connection with the mediation in secret, unless the parties exempt from this obligation (Art. 1834 § 2 of CCP). The principle of confidentiality takes a special significance for the economic mediation. It provides a chance to retain good image and market position of the parties’ mediation, because the information about the existing dispute between the entrepreneurs who are the cause of it should not get outside. Additionally any information, disclosed during the mediation, including of course those that are covered by a trade or another secret are confidential.

Economic mediation allows the use of a wide range of solutions and mutual benefits which would not always have been possible to achieve in court proceedings. As noted by M.R.

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\(^7\) M. R. WYSOCKI, , Mediation for the entrepreneurs, as an economic mediation; questions and answers, p.4-5, electronic version [www.mediator-wysocki.pl](http://www.mediator-wysocki.pl), (25 September, 2015)

\(^8\) M. R. WYSOCKI, Mediation... p. 5

\(^9\) Ch. W. MOORE, Mediations – Practical Strategies for Resolving a Conflict, Polish translation, Warszawa 2009, p.335
Wysocki the benefits that can be worked out amicably can be divided into two categories; the first including the modification of the repayment of a debt, e.g., by spreading the debt into instalments, changing the dates of the rental payments, total or partial cancellation of interest or discontinuation of their calculation. In the second one; additional security interests of the creditor provided in the agreement, e.g., the establishment of a pledge, mortgage or guarantee.

It should also be noted that the initiation of the mediation provides an opportunity for entrepreneurs to avoid negative consequences in the form of an entry into the KRD Economic Information Bureau or KRS (National Court Register) Register of Insolvent Debtors. In many situations, it will also help to avoid termination of business activity, as it can protect the entrepreneur from the insolvency proceedings. Commitments taken in the context of mediation will keep the current position of a reliable market participant and reputation of the company. Additionally, resolving the dispute through mediation can significantly make it easier for entrepreneurs to operate and can continue to further cooperation between the companies, which usually is not possible after a long and expensive lawsuit.

III. ECONOMIC MEDIATION OF A CROSS-BORDER CHARACTER

The mediation proceedings can be carried out both on a national as well as on the basis of international cooperation of economic partners. The abovementioned Directive 2008/52/EC of the European Parliament and of the Council indicates the mediation of cross-border disputes, specifying in Art. 2 paragraph 1 the concept of cross-border disputes. For the purposes of the Directive a cross-border dispute shall be one in which at least one of the parties is domiciled or habitually resident in a Member State other than that of any other party on the date on which:

- the parties agree to use mediation after the dispute has arisen;
- mediation is ordered by a court;
- an obligation to use mediation arises under national law; or
- for the purposes of Article 5 an invitation is made to the parties.

Although the Directive uses domicile or habitual residence, it has its application to other than natural persons entities - legal persons and incomplete legal persons with regard to their place of residence due to its use in civil and commercial matters as well as a broad understanding of a range of civil cases a cross-border dispute shall also be one in which judicial proceedings or arbitration following mediation between the parties are initiated in a Member State other than that in which the parties were domiciled or habitually resident on the date referred to in paragraph 1 a), b) or c). As noted by P. Mostowik, cross-border requirements must be associated with the legal basis for action of the Commonwealth and not with the specifics of mediation in international affairs.

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10 Ibidem, p. 7
13 Recommendation Rec (2002)10 of the Committee of Ministers to member States on mediation in civil matters, indicates that it refers to matters involving civil rights and obligations including matters of a commercial, consumer and labour law nature, but excluding administrative or penal matters (point II) www.wcd.coe.int.
14 P. MOSTOWIK, European master normalization of mediation in civil and commercial matters of 2008 and in force since 2005 solutions of the Polish law., Kwartalnik ADR 2009, No 1, p. 140 in support of the Directive presented by the committee of 22.10.2004., it was stressed that the Directive should not diversify, matters within which their territorial scope is involved. In conclusion, the Commission concluded that introduction of a specific condition concerning cross-border effects could distort the purpose of the proposed directive and it would be against the principles of the proper functioning of
The basis for mediation is the agreement on mediation, the legal nature raises many concerns. In the literature, there are voices that locate mediation among the substantive civil law contracts or indicate that it is a process contract. You can also find supporters that believe it is a mixed contract the material contract. As noted by J. Pazdan, you can also meet “its content and main effects appeal to the first concept. It can be classified into substantive law agreements that are to prepare and organize the mediation. (...) The agreement for mediation is the basis for a separate contractual relationship, which is the bond between the parties and the mediator. The fact that it triggers the procedural effects (...) should not exclude this qualification (...)”15.

Equally momentous, for the issue of cross-border mediation, is the choice of the law applicable to the contract of mediation. At this point constituting the legal basis for this choice should be considered. In principle these should be the regulations from the Act of 4 February 2011 ‘Private International Law’16, but due to Polish accession to the Rome Convention, this choice should be based upon the Regulation of the European Parliament and the Council Regulation of the European Parliament and the council on the law applicable to contractual obligations (Rome I) determining the law applicable to contractual obligations17. The choice of the law for the contract mediation can occur in accordance with Art. 3 of the Regulation. If it does not occur, art. 4 of the Regulation points out that the agreement for mediation must apply to the law of the country with which it is most-closely connected (law of the country in which the mediation is or is to be carried out), and in a situation, where activities conducted in the context of proceedings that are to be taken in different countries, the law of the country in which the major part of mediation it intends to take or was taken is appropriate18.

The purpose of mediation is to reach a agreement that will be respected by a court. In accordance with Art. 6, paragraph 1 of the Directive the content of such an agreement shall be made enforceable unless, in the case in question, either the content of that agreement is contrary to the law of the Member State where the request is made or the law of that Member State does not provide for its enforceability. This provision clearly indicates that the content of the agreement must be in conformity with the law of the country that is competent to give declaration of enforceability and a competent Organ of the State rules or decides. In accordance with paragraph 2 the content of the agreement may be made enforceable by a court or other competent authority in a judgment or decision or in an authentic instrument in accordance with the law of the Member State where the request is made. The necessary condition is that the content of the agreement does not contradict to the law of the European-State or the national law of the Member State in which the request has been made19. As to the issue of determining the applicable law to the content of the agreement through mediation, which is to be rendered enforceable refer to the paragraph 19 of the preamble to the Directive, the essence of which refers to a situation where the content of the agreement is contrary to its law, including the operation of its private international law, or whether its law does not provide for the enforceability of the specific agreement, for example when the obligation specified in the agreement, by its very nature, cannot be implemented. When considering the feasibility of a settlement, a reference should be made, as specified in paragraphs 2020 and 21 of the preamble

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15 J. PAZDAN, Conflict of laws aspects of mediation, Quarterly ADR 2009, Nr 2, p. 137
17 Acts. OL No. 177 of 4 July 2008, p. 6-16
18 J. PAZDAN, Conflict of Laws p. 138
19 W. BRÓŃSKI, European regulations on mediation in civil and commercial matters, Yearbook of Legal Sciences 2011, No. 1, s. 55-56
20 In accordance with paragraph 20 of the preamble to the Directive; the content of an agreement resulting from mediation which has been made enforceable in a Member State should be recognised and declared enforceable in the other Member States in accordance with applicable Community or national law. This could, for example, be on the basis of Council
to Directive a solution included in Council Regulation EC No 2201/2003 of 27 November 2003 concerning jurisdiction and the recognition of enforcement of judgments in matrimonial matters and the matters of parental responsibility, indicating clearly that the agreements between the parties have been enforceable in another Member State, shall also be enforceable in the Member State in which they are concluded. It remains in compliance with Council Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition of judgments and their enforcement in civil and commercial matters.

SUMMARY

The importance of economic mediation in resolving disputes between traders is undeniable. Not only because of the acceleration of settlement of the dispute and lightening the courts, but because of the feasible chance to respect the provisions of the settlement. Due to the same effectiveness, as in judicial proceedings, of the concluded settlement and its binding force, an indisputable advantage of mediation is the fact that the shape of a final settlement of the conflict, from the beginning to the end, is agreed on and accepted by the parties. The possibility of using the institution of mediation of a cross-border nature favours the development of trade relations between entrepreneurs, while giving a sense of security at the same time.

The current principle of confidentiality and the confidential nature of it favours maintaining the existing, and establishing new contractual relations. Emphasized in the Directive of 2008 and in revised subscriptions of the Code of Civil Procedure, the information aspect was designed to serve to develop public awareness of the benefits of this alternative method concerning dispute resolution, and it should be an incentive for the use of the very institution. The status, concluded of the terms of a settlement, in the area of the Community legal regulations within its recognition and enforcement emphasizes its security.

KLÚČOVÉ SLOVÁ

Mediácia/Sprostredkovanie, ekonomická mediácia/sprostredkovanie, alternatívne riešenie sporov, cezhraničná mediácia, vysporiadanie

KEY WORDS

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