



The Benefits of Alternative Dispute Resolution and the Integration Of Dispute Resolution Clauses In ELAN Contracts

A Key to Efficient Conflict Management

PRESENTED BY THE LAGOS MULTI-DOOR COURTHOUSE (LMDC)

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What Is Alternative Dispute Resolution (ADR)?

- Alternative Dispute Resolution (ADR) refers to methods used to resolve legal disputes outside of traditional court proceedings. It includes techniques like **Negotiation, Mediation, Arbitration, and Early Neutral Evaluation (ENE)**, which aim to settle conflicts efficiently, cost-effectively, and with less formality than litigation.

Benefits of Mediation

- **Cost Effective**

- **Voluntary and flexible**

Both parties participate willingly.

- **Higher settlement compliance rates**

Since agreements are mutually decided, parties are more likely to follow through with the terms.

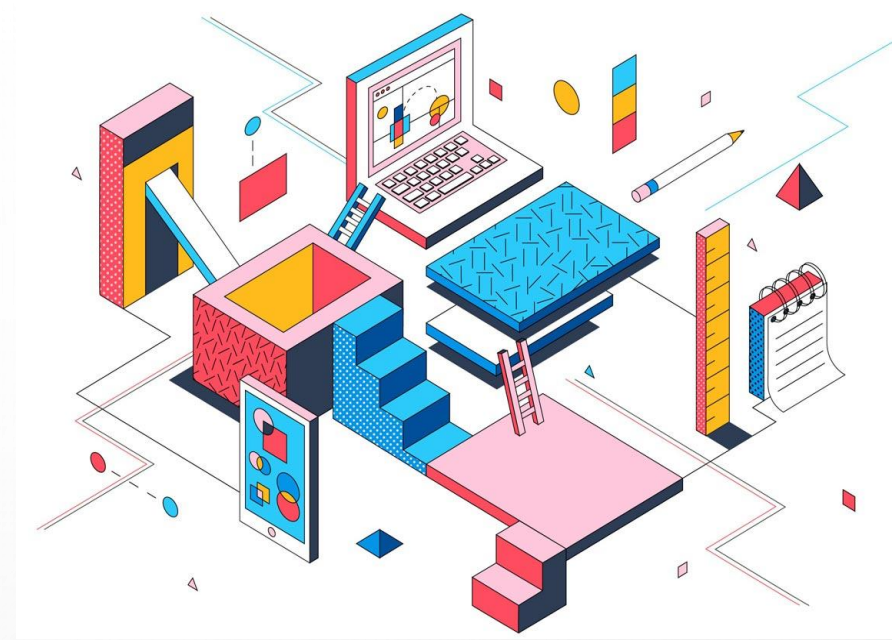
- **Applicable to various disputes**

Mediation can be used in business disputes, workplace conflicts and more.

Benefits of Alternative Dispute Resolution Mechanisms

- **Less Formal** – ADR processes are less rigid than court procedures.
- **Expert Decision-Makers** – In arbitration, parties can choose an expert in the field to resolve the dispute.
- **Enforceability of Decisions** – Arbitration awards are legally binding.
- **Encourages Settlement** – Even if a case does not settle through ADR, it encourages the possibility of settlement before trial.

- What Are Dispute Resolution Clauses?



- Dispute Resolution clauses in contracts specify how conflicts will be handled. They provide clarity and efficiency in resolving disputes without litigation.



Importance Of Dispute Resolution Clauses

- Helps avoid costly litigation
- Provides clarity on Dispute Resolution process
- Saves time and resources
- Encourages Negotiation and Settlement

Types Of Dispute Resolution Clauses

1. Negotiation Clause – Parties attempt to resolve disputes informally.

2. Mediation Clause – Neutral third party facilitates settlement.

3. Arbitration Clause – Binding decision by an Arbitrator.

Section 5, Arbitration and Mediation Act 2023

4. Litigation Clause – Court-based dispute resolution.

5. Hybrid Clauses – Combining two or more methods (E.G., Med-arb).

Key Considerations For Drafting Dispute Resolution Clauses

- **Clarity & Specificity** – Define scope and process.
- **Choice of Law & Jurisdiction** – Specify governing law and jurisdiction.
- **Selection of Mediators/Arbitrators** – Predefine or specify a selection process.
- **Cost Allocation** – Who bears the costs?

Best Practices for Implementation of Dispute Resolution Clauses

- 1. Customize clauses for each Contract** – No one-size-fits-all approach.
- 2. Ensure compliance with local laws** – Align with applicable legal frameworks such as the Equipment Leasing Act 2015, the Arbitration and Mediation Act 2023 etc.
- 3. Clearly define processes & timelines** – Avoid Ambiguity.
- 4. Include a Multi-tiered approach** – Escalate from Negotiation to Arbitration if needed.
- 5. Regularly review & update clauses** – Adapt To Changing Legal Environment.

Benefits Of Dispute Resolution Clauses



- **Cost-Effective** – Saves legal fees and court costs.
- **Time-Saving** – Faster resolution than litigation.
- **Confidentiality** – Keeps disputes private (especially in arbitration and mediation).
- **Flexibility** – Allows tailored dispute resolution processes.
- **Preserves Business Relationships** – Encourages amicable settlements.
- **Enforceability of Decisions** – Arbitration Awards are legally binding making them enforceable like court judgment .

Challenges & Limitations

- **Cost of Arbitration** – May be expensive for small disputes.
- **Lack of appeal in Arbitration** – Decisions are typically Final.
- **Complex cases** – Certain disputes, especially cases that require the interpretation of the law may be too intricate for ADR and require a formal judicial process.

Conclusion



- Dispute Resolution Clauses provide a **structured, efficient, And Cost-effective** way to handle disputes.
- Proper integration **reduces legal risks and strengthens business relationships.**
- Businesses should **tailor clauses to their needs** and ensure legal compliance.



Thank You