

After Almost Three Decades of Strictly Upholding “Back-to-Back” Clauses, the Abu Dhabi Court of Cassation Provides a Reprieve

June 24, 2026

For nearly thirty years, the “back-to-back” or “pay-when-paid” clause has been a standard method for allocating risk in UAE construction contracts. Historically, UAE courts have upheld these provisions as binding conditional obligations, protecting main contractors but often leaving subcontractors with limited legal options during upstream insolvency. However, a recent ruling by the Abu Dhabi Court of Cassation, **Judgment No. 386 of 2026 (Commercial)**, issued on 18 June 2026, has shifted this approach, providing subcontractors with a notable reprieve.

By establishing a clear legal framework that allows subcontractors to bypass back-to-back clauses when upstream payment becomes demonstrably impossible, the Court has offered a practical solution for parties facing indefinite payment delays. At **Wasel & Wasel**, we analyze the implications of this judgment, tracing its historical context, examining the Court’s precise legal reasoning, and detailing the new standards that construction professionals should consider.

The Historic Approach of UAE Courts

Over the past three decades, UAE courts have generally declined to bypass back-to-back clauses. Under the UAE Civil Transactions Law (the “Civil Code”), specifically Articles 420

to 427, contractual obligations can be made subject to a “suspensive condition” (*Shart Waqif*).

Relying on the legal principle that agreements must be honored (*pacta sunt servanda*), courts consistently interpreted “pay-when-paid” clauses as valid suspensive conditions. Consequently, if a subcontractor filed a claim for payment before the upstream entity had paid the main contractor, UAE courts would routinely dismiss the lawsuit for being filed “prematurely.”

Courts rarely inquired into whether the upstream payment would ever actually materialize. This strict adherence meant subcontractors often faced indefinite delays, bearing the credit risk of a project’s failure without a clear path to recover their dues.

The Factual Background of Judgment No. 386 of 2026

The dispute involved a subcontractor (the Respondent) seeking to recover a 10% retention sum, amounting to AED 2,078,742.93, from a main contractor (the Appellant).

Clause 11 of their subcontract contained an explicit back-to-back provision. It stated that the release of the retention monies was contingent upon the Appellant receiving its own retention funds from the principal contractor.

The project eventually encountered severe financial issues. The principal contractor was terminated and later entered formal bankruptcy proceedings in Dubai. The subcontractor had previously filed a lawsuit in 2024 to recover its dues, but the court applied traditional precedent and dismissed the claim as “premature” because the back-to-back condition remained unfulfilled.

The situation changed when the bankruptcy trustee issued the

final, consolidated list of commercial creditors for the principal contractor. Crucially, the Appellant was **not** included on this list. Recognizing that the Appellant would not receive the upstream funds, the subcontractor refiled its lawsuit.

The Legal Development: The “Impossibility Test”

The Abu Dhabi Court of Cassation ruled in favor of the subcontractor. In its reasoning, the Court established what can be termed an “impossibility test” for bypassing back-to-back clauses.

The Court held that while a back-to-back clause is a valid suspensive condition, it cannot delay payment indefinitely if the condition becomes factually or legally impossible to fulfill. Establishing this legal boundary, the Court noted:

“However, in the event it is proven that the suspensive condition is incapable of being fulfilled, the effect of the suspension lapses, and the creditor is entitled to demand immediate payment from the debtor, as long as the debtor did not stipulate to the creditor that it would not lapse, and the debt remains an obligation owed by them, rendering the condition impossible to occur due to the expiration and cessation of the suspended obligation owed by the owner in favor of the debtor.”

Applying this principle directly to the facts of the case, the Court reasoned that the finalization of the principal contractor’s bankruptcy proceedings, without the Appellant listed as a recognized creditor, created this legal impossibility:

“Consequently, it has become impossible for the employer [...] to pay the Appellant’s dues, as the creditors to whom the

funds [...] are to be distributed have been confined under the proceedings of that lawsuit, which renders the suspensive condition relied upon by the Appellant incapable of being fulfilled. Thus, the effect of the suspension lapses, and the Respondent is entitled to demand immediate payment from the Appellant in the present."

Clarifying Procedural Rules: Addressing *Res Judicata*

The judgment also provided practical procedural clarity. The Appellant attempted to block the lawsuit by arguing *res judicata*, the principle that a matter has already been judged. They claimed that because the subcontractor's identical lawsuit was dismissed in 2024, the matter was legally settled and could not be litigated again.

The Court of Cassation addressed this defense by explaining the legal nature of a "premature" dismissal under UAE procedural law:

"Ruling that a claim is inadmissible for being filed prematurely means that the claimed right has not fulfilled a specific condition, or that the time for claiming it has not yet arrived. Therefore, the reality of a judgment of inadmissibility is merely a postponement of filing the lawsuit until its conditions are complete. Once those conditions are fulfilled, the claimant has the right to file the lawsuit anew and claim the very right that was never substantively adjudicated."

Because the first judgment did not rule on the underlying debt itself, but merely paused the claim while the suspensive condition was still theoretically possible, the subcontractor retained the right to refile once the condition became legally impossible to fulfill.

Strategic Takeaways for the Construction Sector

Judgment No. 386 of 2026 represents a significant development in UAE construction law, balancing freedom of contract with commercial realities after a three-decade precedent.

- **For Subcontractors:** You are not necessarily expected to wait indefinitely for upstream solvency. If you can gather concrete evidence that the upstream flow of funds has been permanently cut off (such as through finalized insolvency proceedings or definitive exclusion from official creditor lists), the courts may set aside the back-to-back condition and enforce your right to payment.
- **For Main Contractors:** A back-to-back clause should not be treated as a passive defense. If an upstream party goes bankrupt, you have a proactive legal duty to pursue your claims and register your debts. In this case, the Appellant's failure to secure its status on the final bankruptcy creditor list was the key factor the Court used to declare the condition "impossible." Failing to preserve your upstream rights may result in you having to pay your downstream supply chain from your own funds.

*At **Wasel & Wasel**, our construction and dispute resolution practices remain at the forefront of the UAE's evolving legal landscape. Whether you are managing supply chain disputes, navigating insolvency proceedings, or assessing conditional payment clauses, our team provides practical, precedent-backed counsel.*

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Arbitrability, Corporate Insolvency, and Fractured Disputes: The NSW Court of Appeal's Approach in *Clough v Elecnor* and the *Lex Domicilii* vs. *Lex Arbitri* Divide

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Introduction: The Collision of Party Autonomy and Public Policy

The intersection of international commercial arbitration and corporate insolvency consistently generates profound jurisdictional friction. While arbitration is a private, consensual mechanism governed by party autonomy, corporate insolvency is a collective, statutory procedure rooted in public policy and designed to bind third parties.

When a commercial dispute triggers corporate restructuring mechanisms, courts face a critical question: is the dispute still “capable of settlement by arbitration,” or must it be resolved by national courts? The New South Wales Court of Appeal (NSWCA) recently addressed this tension in *Clough Projects Australia Pty Ltd v Elecnor Australia Pty Ltd* [2026] NSWCA 111.

By dissecting the arbitrability of corporate matters and addressing the procedural fracturing of disputes, highlighted prominently in Ground 5 of the appeal, the NSWCA delivered a

judgment that mirrors global approaches to the conflict between the law of the arbitral seat (*lex arbitri*) and the law of the corporate domicile (*lex domicilii*).

The Factual Matrix: *Clough v Elecnor*

The dispute arose from an unincorporated joint venture between Elecnor and Clough to deliver a major energy infrastructure project in Australia. The Joint Venture Deed contained a broad arbitration clause designating Singapore as the arbitral seat under ICC Rules.

In late 2022, Clough entered voluntary administration and subsequently executed a Deed of Company Arrangement (DOCA) under Part 5.3A of the Australian *Corporations Act 2001* (Cth). Under the DOCA, specified assets were transferred to a Creditors' Trust. Following this insolvency event, Elecnor sought to exercise a compulsory acquisition clause to buy out Clough's participating interest in the joint venture for a nominal \$1.00. The DOCA trustees resisted, arguing that the DOCA had already transferred Clough's interest to the trust, thereby altering or extinguishing Elecnor's contractual buyout rights.

Elecnor commenced litigation in the NSW Supreme Court seeking specific performance of the buyout (the "Clause 21.3 Matter"). In response, Clough and the trustees filed a cross-claim seeking \$55 million in commercial contribution for called bank guarantees (the "Call Contribution Matter"). Elecnor subsequently applied to stay the cross-claim and refer it to arbitration in Singapore, prompting Clough to argue that the entire dispute should be heard together in court, or alternatively, that Elecnor's primary claim should be temporarily stayed pending the arbitration.

The Arbitrability of Corporate Matters: The Statutory Shield

Central to the appellate review was determining which matters were "capable of settlement by arbitration" under the

Australian *International Arbitration Act 1974* (Cth). The NSWCA affirmed the primary judge's ruling that the dispute must be fractured into two distinct matters.

The Call Contribution Matter was identified as a discrete, purely contractual controversy and was stayed and referred to arbitration in Singapore. However, the Court held that the Clause 21.3 buyout dispute was **non-arbitrable**.

The Court's reasoning hinged on the statutory nature of the DOCA. Resolving Elecnor's buyout rights required construing the DOCA and the operation of the *Corporations Act* in a manner that would inherently affect the rights of third-party creditors. The Court noted that a DOCA is not merely a private agreement; it is a statutory instrument that effects a change in the company's legal status and binds all creditors by operation of law. Consequently, there is a "legitimate public interest in seeing that disputes of the type in question are resolved by public institutions... rather than institutions and structures established by the parties."

Ground 5 and the Reality of Fractured Proceedings

Because the corporate buyout matter was non-arbitrable, it remained within the jurisdiction of the NSW courts, while the financial contribution claim was sent to arbitration. This bifurcation formed the basis of Ground 5 of the appeal, wherein Clough challenged the primary judge's refusal to temporarily stay the non-arbitrable court proceedings pending the determination of the Singapore arbitration.

The NSWCA dismissed Ground 5, affirming that the decision not to stay the Clause 21.3 Matter was a valid exercise of discretionary case management. The Court held that the resolution of the corporate acquisition dispute did not depend on the outcome of the arbitrated contribution claim. The dismissal of Ground 5 underscores a harsh procedural reality: when an arbitration agreement collides with a non-arbitrable

statutory regime, the fracturing of the dispute across dual forums is often an inevitable consequence of enforcing the arbitration agreement to the extent permissible by law.

Global Reflections: *Lex Domicilii* vs. *Lex Arbitri*

The *Clough* judgment reflects a universal paradigm in cross-border dispute resolution: the supremacy of the *lex domicilii* over the *lex arbitri* in matters of corporate status and insolvency.

In international arbitration, parties select a seat (e.g., Singapore) whose laws, the *lex arbitri*, govern the procedural framework of the arbitration and typically determine objective arbitrability. However, the legal personality, restructuring, and insolvency of a corporation are governed exclusively by its *lex domicilii* or *lex concursus* (e.g., Australia).

Globally, courts align with the NSWCA's approach. Purely *in personam* commercial claims, such as quantifying a debt, can be arbitrated. But *in rem* claims, or disputes that strike at the core mechanics of an insolvency proceeding and affect the collective rights of the creditor pool, are universally guarded by the domestic courts of the corporate domicile. The public policy underlying the *lex domicilii* acts as a firm boundary that private arbitral tribunals cannot cross.

Strategic Takeaways for International Commercial Disputes

For corporate entities managing cross-border agreements, the *Clough v Elecnor* decision offers several practical, jurisdiction-neutral insights:

- **Evaluate the Scope of Arbitrability:** When disputes involve distressed counterparties, parties should recognize that arbitration clauses may not cover issues that invoke statutory restructuring regimes or impact the collective rights of third-party creditors.
- **Prepare for Parallel Proceedings:** As demonstrated by the

NSWCA's dismissal of Ground 5, courts are willing to fracture disputes, retaining jurisdiction over corporate status issues while sending discrete commercial claims to arbitration.

- **Assess the Interplay of Governing Laws:** During the drafting and enforcement phases, it is essential to analyze how the procedural laws of the chosen arbitral seat (*lex arbitri*) will interact with the mandatory corporate and insolvency laws of the counterparties' home jurisdictions (*lex domicilii*), anticipating that local courts will intervene to protect statutory frameworks.

Conclusion

The NSW Court of Appeal's judgment in *Clough v Elecnor* is a definitive modern precedent on the limits of arbitrability. It illustrates that while international commercial arbitration remains the preferred mechanism for resolving cross-border contractual disputes, the statutory gravity of corporate restructuring and insolvency remains firmly within the domain of domestic courts. Navigating the resultant procedural fractures requires a sophisticated understanding of both the procedural flexibility of the *lex arbitri* and the mandatory public policy of the *lex domicilii*.

Wasel & Wasel advises on complex commercial disputes, international arbitration, and cross-border corporate litigation. The firm possesses extensive experience navigating multi-jurisdictional matters, addressing the intricate conflicts of law between arbitral seats and corporate domiciles, and managing parallel proceedings involving statutory insolvency regimes and commercial arbitration across global jurisdictions.

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Piercing the Blockchain Veil: The Ontario Court's Novel Pushback on Crypto Norwich Orders (Compared with the UK and DIFC)

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Introduction: The Maturation of Crypto Asset Recovery

As digital asset markets expand, global courts are increasingly tasked with untangling complex, cross-border cryptocurrency disputes. When tokens are misappropriated, the immediate legal reflex for claimants is to pierce the pseudonymity of the blockchain. Universally, litigators have turned to the *Norwich Pharmacal* order (or *Bankers Trust* order), an equitable pre-action discovery tool used to compel innocent third parties, such as cryptocurrency exchanges, to disclose user identities and wallet transaction histories.

In recent years, jurisdictions like the United Kingdom (UK) and the Dubai International Financial Centre (DIFC) have adapted these common-law remedies to the speed of the digital era, granting disclosure orders against global exchanges to freeze and trace stolen crypto. However, a novel judgment from the Ontario Superior Court of Justice in May 2026, *Nivora*

Group LLC v. Ping et al., 2026 ONSC 2943, signals a critical procedural divergence.

By refusing to grant a Norwich order against major crypto exchanges in a multi-million-dollar token dispute, the Ontario court has established a strict procedural boundary: the novel nature of cryptocurrency does not grant litigants reason to bypass traditional rules of civil discovery.

The Ontario Approach: Striking a Balance Between Discovery and Privacy

The *Nivora* case involved a cross-border dispute over the creation and distribution of a “meme coin” known as TDCCP. The plaintiffs, corporate entities based in the UAE and the US, alleged that the Canadian developers of the token misappropriated over \$6.2 million USD worth of Solana (SOL) and USDC, funneling the assets into wallets controlled by the defendants via the Kraken and VirgoCX exchanges.

To trace the ultimate destination of these funds, the plaintiffs sought a Norwich order compelling the exchanges to produce the wallet owners’ identities and transaction records.

The Ontario Superior Court dismissed the motion, providing a rigorous check on the bounds of equitable relief. While the Court confirmed the modern reality that Norwich orders *can* legally be made against cryptocurrency exchanges (equating them to traditional financial institutions), it strictly applied the equitable test for necessity.

The novelty of the Ontario Court’s decision lies in its refusal to treat a crypto dispute as inherently exempt from standard civil procedure. The Court denied the order on several key grounds:

1. **The “Known Defendant” Distinction:** In most crypto hacks, the perpetrators are anonymous “John Does,” making an exchange the *only* practical source of information. In

Nivora, the plaintiffs knew exactly who the defendants were, had already sued them, and the defendants were participating in the litigation.

2. **Circumvention of Standard Discovery:** The Court emphasized that a Norwich order is an “intrusive and extraordinary remedy,” not a cost-saving shortcut. Because the plaintiffs could seek the same information through standard pre-trial discovery (or via an Ontario Rule 30.10 motion for third-party production), the Norwich application was deemed an improper attempt to bypass the normal litigation regime.
3. **The *Mareva* Litmus Test:** A hallmark of urgent crypto tracing is the *ex parte* Norwich application paired with a *Mareva* (freezing) injunction to prevent the rapid dissipation of digital assets. The plaintiffs in *Nivora* waited months to bring the motion, brought it on notice to the defendants, and did not seek a freezing order. The Court noted that if the assets were truly at high risk of dissipation, they likely would have already vanished due to the delay. Thus, the privacy interests of unknown third-party wallet holders outweighed the plaintiffs’ demand for immediate disclosure.

The UK Stance: The Proactive Standard for “Persons Unknown”

The Ontario ruling presents a stark contrast to the highly proactive stance of the English Commercial Courts. In the UK, judges view the speed and borderless nature of blockchain transactions as an existential threat to asset recovery.

While the UK courts apply a similar necessity test, their jurisprudence is heavily geared toward the “persons unknown” jurisdiction. English courts routinely issue *ex parte* Norwich Pharmacal and Bankers Trust orders against out-of-jurisdiction exchanges specifically to strip the pseudonymity of hackers. Recognizing the commercial reality of crypto tumbling and mixing, the UK courts frequently attach gagging orders to prevent platforms from tipping off the account holders,

followed immediately by worldwide freezing injunctions.

The DIFC Perspective: Agility and the “Enforcement Principle”

Parallel to London, the DIFC Courts in Dubai have positioned themselves as a highly agile and pragmatic forum for digital asset tracing, applying English common-law principles through the lens of regional commercial realities.

Supported by robust statutory frameworks, the DIFC Courts actively utilize injunctions and disclosure orders to prevent bad actors from moving assets beyond the reach of justice. The DIFC’s willingness to support cross-border tracing is rooted deeply in its mandate to support international enforcement and prevent the thwarting of jurisdictional reach.

This is clearly illustrated in the recent DIFC Digital Economy Court judgment, *Techteryx Ltd v Aria Commodities DMCC [2025] DIFC DEC 001*. While assessing the continuation of sweeping proprietary and worldwide freezing injunctions (WFOs) involving hundreds of millions of dollars in allegedly misappropriated stablecoin reserves, H.E. Justice Michael Black KC emphasized the rationale for deploying such powerful interim remedies in aid of foreign proceedings:

“The object of the policy of the ‘Enforcement Principle’... is to prevent the jurisdiction of the primary court from being thwarted... the Court must determine (1) whether there is a sufficient likelihood that a judgment enforceable through the process of the DIFC Courts will be obtained, and (2) a sufficient risk that without a freezing injunction execution of the judgment will be thwarted, to justify the grant of relief.”

For the DIFC Courts, if a claimant can demonstrate a good arguable case of fraud and a real risk of dissipation, the court is highly likely to deploy its equitable arsenal, including WFOs and disclosure orders against digital asset platforms, to ensure that the ultimate judgment is not

rendered hollow by the blockchain's speed. However, as the Ontario ruling cautions, these tools must be tethered to actual urgency and the prevention of thwarted jurisdiction, not abused as shortcuts to standard discovery.

Strategic Takeaways for Cross-Border Crypto Disputes

As global courts continue to adapt their traditional equitable frameworks to the cross-jurisdictional novelties of Web3 litigation, the contrast between the *Nivora* judgment and the approaches of courts in the UK and the DIFC provides a valuable strategic guide for managing international crypto disputes:

- **Sequencing Discovery Based on Defendant Identity:** The identity and litigation status of the alleged wrongdoer play a significant role in determining the appropriate discovery mechanism. In scenarios involving anonymous actors or "persons unknown," an equitable disclosure order against an exchange is often an essential tool for tracing. However, where defendants are known and actively participating in the litigation, parties must proactively assess whether standard civil discovery or conventional domestic third-party production rules should be pursued prior to seeking extraordinary equitable relief, as some forums will strictly require the exhaustion of these standard avenues first.
- **Synchronizing Interim Relief with Case Objectives:** Courts rigorously balance a claimant's need for information against the privacy rights of third-party account holders. When a disclosure application is based on the high risk of rapid crypto dissipation, parties should carefully align their procedural steps with that stated risk. Evaluating whether an *ex parte* application coupled with asset preservation measures, such as a worldwide freezing order (WFO) or *Mareva* injunction, is procedurally appropriate can help present a cohesive

narrative of immediate urgency and necessity to the presiding adjudicator.

- **Navigating Forum-Specific Equitable Thresholds:** While blockchain technology is inherently borderless, the legal remedies to trace and recover digital assets remain distinctly territorial. The global landscape for crypto asset tracing is not uniform; forums like the DIFC and the UK High Court have developed jurisprudence emphasizing the “Enforcement Principle” to facilitate rapid third-party disclosure and prevent the thwarting of jurisdictional enforcement. Conversely, other common-law jurisdictions may place equal or greater weight on the strict sequence of standard civil procedure and third-party privacy. Parties must map their asset recovery strategies to the specific evidentiary, equitable, and procedural thresholds of the chosen forum to optimize their prospect of recovery.

Wasel & Wasel advises on complex commercial disputes, international arbitration, and digital asset litigation. The firm possesses deep expertise in navigating cross-border fraud, tracing misappropriated funds, and securing interim equitable relief such as worldwide freezing injunctions and disclosure orders. By bridging the gap between local procedural frameworks and global common-law standards, Wasel & Wasel provides robust representation for corporate entities, tech developers, and international investors operating within the digital economy.

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War Series: Reinsurance Profiteering, Hidden Broker Commissions, and Cross-Border Accountability – Applying the Dubai Cassation Court’s 2026 Yemen Precedent to GCC-UK-US Markets in the Iran War

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Introduction: The Fog of War and the Opacity of War-Risk Pricing

As the 2026 Iran War escalates, severely disrupting supply chains, energy infrastructure, and regional stability across the Middle East, the demand for Political Violence (PV), Terrorism, and War-Risk insurance has surged to unprecedented levels. Regional primary insurers and corporate entities across the Gulf Cooperation Council (GCC) are heavily reliant on international reinsurance hubs, predominantly the London Market in the UK and major underwriting centers in the United States, to secure capacity for these massive, concentrated risks.

However, the “fog of war” actively permeates wartime commercial operations. The severe volatility of the 2026 conflict has created a highly opaque pricing environment. Unprecedented premium spikes provide an ideal smokescreen for rogue intermediaries. By utilizing complex webs of

international sub-brokers, brokers may intentionally or unintentionally artificially inflate reinsurance premiums, layering unauthorized markups and secret commissions on top of the actual war-risk premiums quoted by UK and US reinsurers.

For international underwriters, US-based risk managers, and UK reinsurance brokers navigating the GCC market, understanding the territorial reach of local insurance regulations is critical. Dubai Court of Cassation Judgment No. 240 of 2026 (Civil), issued on June 16, 2026, provides a monumental precedent. By addressing a multi-million-dollar broker fraud case rooted in the Yemeni conflict, the Court firmly aligned GCC regulatory standards with those of the UK's Financial Conduct Authority (FCA), US state insurance regulators, and similar global regulators, establishing that regional instability does not grant international brokers a license to bypass strict transparency and fiduciary duties.

The Factual Matrix: The Yemen Precedent for the 2026 Crisis

The dispute in Dubai Cassation Judgment No. 240/2026 involved a regional insurance company (the claimant) and its exclusive UAE-licensed reinsurance broker (the first appellant). From 2014 to 2023, during the height of the political violence and conflict in Yemen, the insurer tasked the broker with securing PV and war-risk reinsurance coverage.

Years later, the insurer alleged it discovered that the UAE broker had covertly colluded with foreign intermediaries, including a Cyprus-based entity and a UK-based London Market broker. Without authorization, this syndicate of brokers layered exorbitant, hidden commissions onto the original UK reinsurance premiums. The secret broker markups resulted in the wrongful extraction of over \$17.8 million USD.

The insurer filed suit in the UAE courts, demanding the return of the unauthorized markups. In their defense, the brokers deployed a classic conflict-of-laws shield: they argued that

because the insured risks were located in a foreign warzone (Yemen), the reinsurers were in the UK, and the transactions were fundamentally international, UAE domestic insurance regulations regarding transparency and broker remuneration did not apply. Furthermore, they argued that the insurer had passed the premium costs onto the final end-users and suffered no actual financial impoverishment.

The Court's Ruling: Territorial Fiduciary Duties and Piercing the "International Risk" Shield

The Dubai Court of Cassation rejected the brokers' jurisdictional and commercial defenses, ruling entirely in favor of the defrauded insurer.

The Court established that the statutory duties of transparency, good faith, and disclosure mandated by UAE Insurance Law (Law No. 6 of 2007) and regulatory directives (such as Insurance Authority Decisions No. 3/2010 and No. 15/2013) apply strictly to any broker licensed and operating within the state. The physical location of the war-risk (Yemen) and the nationality of the reinsurers (UK/US) were deemed legally irrelevant to the broker's fiduciary obligations. The Court affirmed that UAE courts will enforce local regulatory standards on licensed intermediaries to protect market integrity. If a broker operates within the UAE (or the wider GCC), they cannot hide behind the international nature of the risk to justify secret wartime profiteering.

The Court also rejected the defense that the insurer suffered no loss because it passed the costs to its clients. Reaffirming the primacy of contractual good faith, the Court stated that an intermediary's obligation to act transparently is absolute, and making a profit downstream does not legitimize a broker's unauthorized surcharges or breach of fiduciary duty upstream.

Strategic Playbook for Cross-Border Insurance Logistics in the

2026 Context

For global reinsurers, GCC cedants, and commercial insureds navigating the chaotic pricing of the 2026 Iran War, Judgment No. 240/2026 provides a critical strategic roadmap:

Auditing Wartime Premium Chains: US, UK and global reinsurers, as well as GCC primary insurers, must proactively audit the entire intermediation chain. The “fog of war” is may be used by intermediaries to justify sudden spikes in PV and War-Risk premiums. Stakeholders should demand transparent, itemized breakdowns of all broker remuneration, ensuring that gross premiums accurately reflect the ultimate underwriter’s pricing, not hidden intermediary markups.

Universal Standards of Fiduciary Duty: International brokers should be careful in the use of “offshore risk” or “foreign reinsurers” to sidestep local regulations. Much like how the US New York Department of Financial Services (NYDFS) or the UK FCA enforce strict broker transparency regardless of where the underlying asset sits, UAE (and the wider GCC) courts will aggressively enforce local transparency laws against any broker operating within their borders.

Preservation of Electronic Discovery: The GCC civil law framework mirrors the US and UK in its robust acceptance of digital evidence. Insurers and risk managers must preserve all emails, electronic slips, and digital debit notes. Formal, wet-ink contracts are no longer required to establish liability against foreign sub-brokers who participate in unauthorized premium loading.

Takeaway

The geopolitical instability of the 2026 Iran War demands resilient and transparent financial markets. As the flow of war-risk capital moves between the Middle East, the UK London Market, and US underwriters, the potential for opaque pricing structures increases. Dubai Court of Cassation Judgment No.

240/2026 serves as a definitive warning: GCC judiciaries will not allow the complexities of international conflict or the involvement of foreign markets to dilute the fiduciary duties owed by local market participants. Through the rigorous application of modern electronic evidence laws and strict regulatory enforcement, regional courts are actively piercing cross-border veils to recover misappropriated funds.

Wasel & Wasel advises on complex commercial disputes, international insurance and reinsurance litigation, and cross-border financial recovery within the UAE courts and the broader GCC. The firm represents major corporate insureds, regional cedants, and international underwriters in high-stakes proceedings before the UAE Federal and Emirate-level Courts. Our practice includes auditing and litigating complex intermediary fraud, enforcing fiduciary duties, managing multi-jurisdictional financial disputes, and addressing conflicts of law in the international insurance and reinsurance markets.

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Anthropic's Fable 5 Directive: Overnight Export Control Authority and Its

Implications for the Commercial Space Industry

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On the evening of June 12, 2026, Anthropic received a directive from the United States government at 5:21 p.m. Eastern Time. The instruction was unambiguous: suspend all access to Fable 5 and Mythos 5 for any foreign national, whether residing inside or outside the United States, including Anthropic's own employees who are non-U.S. citizens. Within hours, both models went offline for every customer worldwide. No advance notice. No transitional period. No grandfathering of existing contracts. A commercial product generating active revenue was switched off overnight.

The government's stated rationale was the discovery of a jailbreak technique capable of bypassing Fable 5's safeguards and, in particular, those designed to prevent access to the advanced cybersecurity capabilities embedded in Mythos, the underlying frontier model. The directive cited national security authorities but provided no further specifics. Anthropic responded with transparency, publicly noting that its own review of the demonstrated jailbreak found only minor, previously known vulnerabilities discoverable through other publicly available models. The company characterized the shutdown as a misunderstanding and committed to restoring access promptly.

The legal mechanism at work here is not novel. What is remarkable is its application at this scale and speed to a consumer-facing AI platform.

Legal Architecture

The Export Administration Regulations ("EAR") have for decades

governed the transfer of dual-use technology which are items with both civilian and military applications. Under the EAR, the release of controlled technology or source code to a foreign national within the United States constitutes a deemed export to that person's home country. This means that domestic access, not merely cross-border transfer, can trigger export control obligations.

The regulatory landscape governing advanced AI specifically has been in considerable flux. In January 2025, the Commerce Department's Bureau of Industry and Security issued an interim final rule called the Framework for Artificial Intelligence Diffusion. The rule would have introduced new controls and extended U.S. export control jurisdiction to foreign-made items that are the direct product of U.S. technology, regardless of where they are accessed. That rule never took effect and was rescinded on grounds that it was overly bureaucratic, stifled American innovation, and undermined U.S. diplomatic relations. Whilst a replacement rule has yet to be promulgated, the EAR framework, including its longstanding dual-use technology controls and deemed export provisions, remains operative.

What the Fable 5 episode illustrates is that the legal architecture already in place, without any frontier-specific AI rule, is sufficient for the government to suspend access to a commercial AI product overnight. The authority does not depend on a new regulation tailored to AI. It derives from the broad scope of existing national security authorities. The Fable 5 directive is a demonstration of what that authority can do.

A Lesson for Commercial Space Industry

The commercial space industry operates under an analogous, and in some respects more demanding, regulatory framework. Space-related technologies sit at the intersection of the EAR and the International Traffic in Arms Regulations ("ITAR"). The

U.S. Munitions List, against which ITAR is enforced, has historically encompassed satellites, launch vehicles, propulsion systems, guidance technologies, and related software.

A commercial space operator providing satellite imagery services, orbital data relay, or launch support to an international customer base is, structurally, in the same position as Anthropic was before June 12. Whilst the service is U.S.-origin technology, it is accessible to foreign nationals and the government retains plenary authority to suspend that access, unilaterally, upon a determination of national security concern.

History has already furnished a sobering illustration of how swiftly that authority can reshape an industry. In the mid-1990s, Hughes Electronics and Loral Space & Communications both faced severe legal consequences after sharing technical analysis with Chinese engineers following the catastrophic failure of Chinese rockets carrying their satellites during launches. The State Department alleged that both companies had transferred sensitive technical data to Chinese engineers without prior government authorization and U.S. officials concluded the data could be used to improve the accuracy and reliability of Chinese ballistic missiles. The charges against Hughes and Boeing Satellite Systems (which had acquired Hughes' satellite division in 2000) were issued in a 2002 letter alleging 123 violations of the Arms Export Control Act and the ITAR. Hughes and Boeing ultimately settled for \$32 million.

The political and regulatory fallout from this instance was substantial and enduring. Congress enacted a new national defense authorization related act, which transferred jurisdiction over all satellite exports from the Department of Commerce back to the Department of State, placing them squarely under the U.S. Munitions List and the more restrictive ITAR licensing regime. This restructuring remained

in force for over a decade, constraining the commercial satellite industry's competitiveness until Congress repealed the relevant provisions in the National Defense Authorization Act for Fiscal Year 2013. Comparably, whilst that episode unfolded over months of investigation, the Fable 5 directive unfolded in hours.

Takeaway

What June 12, 2026, demonstrated is that the U.S. government has both the legal authority and the operational willingness to issue a technology access suspension directive without advance notice, without detailed justification, and without a transitional framework. Moreover, a commercial technology company has no practical mechanism to resist compliance before acting. Anthropic had no meaningful avenue to contest the directive before complying. Its customers had no recourse. Its foreign national employees could not continue working with the affected models.

For commercial space operators, this scenario should prompt an honest inventory of risk. A satellite imagery company serving defense-adjacent customers in mixed-nationality jurisdictions. A launch service provider whose operations involve foreign nationals at mission control. An on-orbit servicing company whose telemetry systems constitute controlled technology. Any of these entities could, upon a government determination, find their operational licenses suspended, their services cut off, and their revenue interrupted with no more notice than Anthropic received. Advanced technology sectors operating at the frontier are, in the eyes of U.S. national security law, custodians of controlled capabilities. The government's authority to restrict access to those capabilities is broad and immediate, and not dependent on commercial inconvenience. Commercial space companies would be wise to internalize that reality now, before a directive arrives at 5:21 in the afternoon with no advance notice and no specific explanation.

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Congress Introduces Legislation for Orbital Data Centers: Analyzing the Cruz–Hickenlooper NEW HORIZON Act

June 24, 2026

Senator Ted Cruz, joined by Senator John Hickenlooper, has introduced the Nodes, Enterprise Workloads, and Hybrid Operations, Resilience, Integration, Zero-Trust, Orbital Networks Act (the “NEW HORIZON Act”). The Act would, for the first time, statutorily direct the Department of Defense (“DoD”) to operationally evaluate commercially available orbital data center services and space-based cloud computing capabilities. While the bill is modest in length, its implications for the commercial space industry are anything but. It signals that Congress now views in-orbit computing not as a speculative technology, but as prospective national security infrastructure.

What the Bill Is

The NEW HORIZON Act is a pilot program authorization. It directs the Secretary of Defense, acting through the Director of the Defense Innovation Unit (“DIU”), to carry out an

operational pilot program under the existing Hybrid Space Architecture initiative within one year of enactment. The program's mandate is to evaluate the use of commercially available orbital data center services relevant to national security space and joint mission requirements, with the authority sunseting five years after enactment.

The congressional findings underpinning the bill articulate a problem the industry has long understood: modern national security space missions generate ever-increasing volumes of sensor and platform data, while reliance on ground-based processing introduces latency, bandwidth constraints, and vulnerabilities that degrade operational effectiveness in contested environments. Congress finds that commercial industry is developing the in-space processing, storage, and analytics capabilities that may resolve this bottleneck and an operational pilot is necessary to test military utility through real-world mission use cases before any broader adoption or sustained acquisition.

Notably, the bill also supplies a statutory definition for orbital data centers, something the sector has lacked. An "orbital data center" is defined as a space-based computing, data storage, or networking capability – whether a single spacecraft, hosted payload, or distributed orbital architecture – designed primarily to provide persistent, scalable, or shared in-orbit processing as a distinct operational capability, rather than as a function ancillary to a spacecraft's primary mission. That distinction between dedicated capability and ancillary function will matter considerably as agencies, insurers, and contracting parties begin referencing the term.

What the Bill Outlines

The pilot program is built around seven enumerated purposes, spanning the assessment of military utility, operational integration into existing and planned DoD architectures, and

the resilience, latency, security, and mission assurance benefits of in-space data processing. Two purposes warrant particular attention. First, the program must evaluate concepts of operations for the protection and defense of orbital data center assets against kinetic, non-kinetic, and cyber threats. This is an ostensible acknowledgment from the DoD that commercial compute infrastructure in orbit may become a target. Second, it must evaluate interoperable, commercially provided infrastructure sourced from multiple vendors, a clear congressional preference against single-provider lock-in.

In scope, the Secretary may employ commercial orbital data center services in support of real-world mission scenarios – including intelligence, space domain awareness, command and control, and data transport – and may conduct testing, demonstration, and limited operational employment. The Secretary is directed to encourage competitive participation from non-traditional defense contractors and commercial space providers.

The most consequential provisions for industry are the security requirements. Any orbital data center service processing, storing, or transmitting sensitive or classified information must implement zero-trust architecture, encryption, identity and access management, and insider threat protections; risk-management measures addressing supply chain vulnerabilities and foreign ownership, control, or influence (“FOCI”); redundancy, failover, and rapid reconstitution capabilities; secured telemetry, tracking, and command links with anti-spoofing and anti-jamming protections; hardened ground segments and software supply chains; and workload isolation, tenant separation, and data sovereignty safeguards against cross-tenant or provider access.

The Secretary must consult with the Assistant Secretary of Defense for Space Policy, the service acquisition executives, the Space Force, the National Reconnaissance Office, and the National Geospatial-Intelligence Agency, and must brief the

congressional defense committees by December 31, 2028, including recommendations regarding future acquisition and the security requirements for any future program of record.

What It Could Mean for the Industry

For commercial operators, the bill is a door and a filter. The door is that DIU becomes a statutory front-of-house for orbital compute providers, with congressional direction to draw in non-traditional contractors and an explicit pathway toward programs of record. Whereas the filter is that the security provisions will function as de facto market standards. Providers whose architectures cannot demonstrate zero-trust compliance, FOCI-clean supply chains, and verifiable tenant separation will be structurally excluded from the defense market and, given the gravitational pull of defense requirements on commercial contracting, likely disadvantaged in adjacent commercial markets as well.

Counsel advising orbital infrastructure companies should treat the bill as a compliance roadmap now, not upon enactment. Capital structures should be reviewed for FOCI exposure, vendor agreements for supply chain attestations, and service-level architectures for the isolation and reconstitution capabilities Congress has signaled it expects. The NEW HORIZON Act is a pilot but, in defense acquisition, pilots are how markets are made.

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The Advocate Next Door Podcast: Mahmoud Abuwaseel on the Future of Crypto Dispute Resolution

June 24, 2026

In a recent episode of *The Advocate Next Door*, Mahmoud Abuwaseel, Partner at Wasel & Wasel, joined hosts Kelby Ballena and Margarita Rosa Arango to discuss the intersection of cryptocurrency, cross-border fraud, and dispute resolution. With the UAE serving as a global hub for digital asset adoption, Mahmoud shares exclusive insights into the region's crypto litigation landscape and introduces his latest book, *UAE Crypto Litigation*; a first-of-its-kind resource for understanding how local courts are adjudicating complex digital asset disputes. Listen to the podcast at [this link](#) and read the full transcript of their conversation below.

Kelby Ballena: Have you tried these on like a video call?

Mahmoud Abuwaseel: Well, I have, but I would have to have the entire thing connected and then from here go into a video call. But I have, and it sounds amazing, but the problem with really good audio is that whoever doesn't have it, it sounds terrible.

Margarita Rosa Arango: How are you? Nice to meet you.

Mahmoud Abuwaseel: It's a pleasure to meet you.

Margarita Rosa Arango: Margarita.

Mahmoud Abuwaseel: Hello. I was just enthralled by the crispness of the sound. I've never heard myself...

Margarita Rosa Arango: Please tell me that you have it.

Kelby Ballena: I, I...

Margarita Rosa Arango: We're trying to be professionals here.

Kelby Ballena: I don't know if you've ever been on a phone call where the audio is bad or you can't hear them and after a while you, it gets frustrating.

Margarita Rosa Arango: You just stop trying.

Kelby Ballena: Yeah.

Mahmoud Abuwasel: You do.

Margarita Rosa Arango: Okay.

Kelby Ballena: Okay. So we're just checking levels, making sure you're okay.

Margarita Rosa Arango: Yes, I am.

Kelby Ballena: Okay. Perfect. Thank you. All right, so we'll go ahead and start.

Margarita Rosa Arango: Sure. Yes.

Kelby Ballena: Perfect.

Introduction & Guest Welcome

Kelby Ballena: All right, welcome back to another episode of **The Advocate Next Door**. My name is Kelby Ballena. We have a very special guest... and I'm here with my wonderful co-host.

Margarita Rosa Arango: Hello everybody. Welcome back to the show. My name is Margarita Arango.

Kelby Ballena: In the audience today, we have Mahmoud Abuwasel. Am I saying your name correctly? Am I pronouncing...

Mahmoud Abuwase1: Yes. Yes.

Kelby Ballena: So right now you're a partner at Wasel & Wasel.

Mahmoud Abuwase1: That's correct.

Kelby Ballena: You handle a lot of litigation, you're an arbitrator, you've been an expert witness, and you're in many different fields, but one of the fascinating areas that you're a thought leader in is cryptocurrency. Now, for a general audience who may not have any idea what cryptocurrency is because not everybody does have a crypto account or even realizes what this is, how would you kind of explain cryptocurrencies?

Understanding Cryptocurrency & Bitcoin

Mahmoud Abuwase1: As a firm, we decided to focus on crypto disputes 5, 6 years ago when crypto became mainstream. And the reason is that we saw a lot of talk in the market by industry professionals on the crypto industry and where it's going and so on, with no clear government guidance. This is back in 2020, 2021.

Kelby Ballena: Yeah.

Mahmoud Abuwase1: Even before COVID even. And I thought well that, that is unforeseeable. But what's foreseeable is the disputes, right? What forums they will be held in and the issues people will be looking at, what the evidence trail will likely facilitate or need to facilitate, and so on. I mean look, I can tell you, my exposure to crypto, back in 2012, 2013, I was messing around on the dark web.

Kelby Ballena: As we all like to do at night.

Mahmoud Abuwase1: And I'm seeing all this stuff happening. And I'm thinking how are these people transacting? And Bitcoin kept coming up. What the hell is this? What's Bitcoin? And I think after a few weeks of, you know, dark web it got too

strange, too fast. I never used it again.

Margarita Rosa Arango: Too scary.

Mahmoud Abuwase1: Yeah, I mean it's just it's not natural to look at daily. Or anytime. But then I looked into Bitcoin and I started looking at mining capabilities and hash rates mean and all that. And I ordered a mining rig end of 2013. I was supposed to get it in a month or two. And it ended up getting delayed and I got it in mid 2014 and by that time, operating it would have been at a loss because the hash rates increased. I don't know if this makes any sense. But the more Bitcoin is mined, the more facilities you need to mine it so that it's worthwhile. Because the hash rates increase. And that company that sold me the miner back then was closed by the Federal Trade Commission.

Kelby Ballena: Okay.

Mahmoud Abuwase1: They were shut down. Because I guess a lot of people complained they weren't sending out their products in time. It was like 6, 7 months late.

Kelby Ballena: So the way I understand it then, Bitcoin is a type of cryptocurrency. It's one of... but you were talking about mining it. So is it like gold that has a value?

Mahmoud Abuwase1: The value of cryptocurrency increases with more transactions taking place because when you transact, the crypto doesn't move from A to B like on a bus. It dissolves in the sender's control and then a new set is created in the recipient's control. And so the more transactions, the more codes are created, let's say.

Kelby Ballena: Okay.

Mahmoud Abuwase1: As opposed to gold where if you're trading gold on paper, maybe some similarity there. But the crux of a gold trade would be me giving you gold and you giving me its

amount, right?

Kelby Ballena: Yeah.

Mahmoud Abuwaseel: And also for gold, geopolitics plays a part there and with respect to who protects the gold as opposed to crypto where that question is not so clear, who protects the crypto, right?

Kelby Ballena: That's true because it's not locked away.

Mahmoud Abuwaseel: Well it's not so much protecting it and fencing it, but protecting its value. So there's a story during the Roman Empire, the Indus region in modern day India, would manufacture their gold and stamp it with the then current Roman emperor's visage. And the interesting question is well why would they do that? Because it's the same gold, it's the same value.

Kelby Ballena: Yeah. Why wouldn't you use your own...

Mahmoud Abuwaseel: Well the reason was, is the value isn't so much inherent in the critical mineral itself. It's inherent in being able to protect its supply chain and flow and so on. Right. And so gold with the visage of the current empire at the time may be more stable, may have more continuity, and so would be more reliable for circulation. Now that question is a much more difficult question with crypto.

Kelby Ballena: Yeah.

Mahmoud Abuwaseel: Who can protect its circulation and so on. And then you say, well, we don't need to protect its circulation because the whole point of it is that it's decentralized. Right, it's outside the banking system. It's outside any centralized system of control or protection. And that's where the disputes get complicated.

The Complexities of Crypto Litigation

Kelby Ballena: Yeah, so that was my next question then this is where crypto litigation happens or dispute happens.

Mahmoud Abuwaseel: Well that's where they get difficult to navigate by methods of standard practice because you're taking this item from supposedly outside the ecosystem and you want to bring it into the ecosystem to resolve your dispute, right? You want to bring it into the courts or into the arbitration forums and you want to utilize whatever legislation you want to utilize, the litigation act, the civil procedures law, the arbitration law, whatever it is. And then you get a judgment and you want to utilize the enforcement systems and the bank systems and so on to collect what you're owed. And so it's really interesting to see how different forums around the world have addressed many, many questions. There's been a recent judgment out of the UK in respect of servicing a party through NFT.

Kelby Ballena: Like giving service or like servicing them like court summons?

Mahmoud Abuwaseel: Like a court summons.

Kelby Ballena: Yes. Via NFT?

Mahmoud Abuwaseel: Yes.

Kelby Ballena: Wow. I'm trying to imagine what that must be like. Okay.

Mahmoud Abuwaseel: You wouldn't manifest these questions until you're put into a situation, right? You're put into a situation while you're pursuing a dispute and you look at all the options and suddenly the Overton Window expands and you have these new options coming from this system that's been historically outside the standard ecosystem.

Discussing the Book: UAE Crypto Litigation

Kelby Ballena: So turning then to a book that just has been

released, you wrote a book **UAE Crypto Litigation**. What was your inspiration to put this book together?

Mahmoud Abuwasel: Well, we've been covering crypto judgments from different jurisdictions since, like I said, when we started working on this five, six years ago, or when we started investing into crypto dispute practice. And the UAE, the United Arab Emirates, particularly Dubai and Abu Dhabi and their financial free zones, the Dubai International Financial Centre and the Abu Dhabi Global Market, they've had an exponential adoption of cryptocurrency. And right now the UAE is at the latest statistics, we're at 32 or 33% adoption rate. The highest in the world.

Kelby Ballena: Yeah.

Mahmoud Abuwasel: Almost double or more than double of the United States. And so there's a lot of economic activity that ends up in the courts with a lot of interesting questions. And every time we've covered a particular item, a development in the courts or so on, a lot of times it goes viral or has more viewership and interest than some of the other items that we're covering. And so you have this jurisdiction that acts as a sort of gap analysis, as a case study for other jurisdictions to look at. But the information isn't that accessible. Either language wise or because you need to have the law research tools. Your general person, your layman does not have.

Kelby Ballena: Right.

Mahmoud Abuwasel: And so is there enough information out there that it could be read intelligibly as a whole? And so the first thing I did was I took out all the crypto judgments I can find, not all, but let's say 90%. And the really difficult part was seeing if that information could be parameterized into a particular journey for someone looking at the information or whether it's haphazard; is the only way to read

it in a silo, each information item has to be read on its own or can it be read in a holistic manner? And that's really what took a lot of work is structuring the information for someone reading these, and ended up with over 100 judgments, but the difficult part was whether someone reading these 100 plus judgments can do so in a way where if they go from start to finish, they have a holistic view of a particular journey.

And then the question is well what is that journey? And the journey, for being thematic for the book is the litigation journey, right?

First you want to characterize what you're bartering, what you're trading with.

Then you want to characterize the underlying agreement, right? I bartered this or I traded this, is it actually an agreement? Is there an agreement at all? Is it a partnership agreement, a management agreement, an investment agreement?

And then looking at the appropriate forum, then looking at liability, establishing who could be liable and then the evidence to establish that liability.

And then enforcement and collection, and then if there's any fraud and so on.

And so that made sense and the judgments and the subject matter and the court rationale and so on could be distributed in a way that it's the life cycle of a dispute, you journey through the dispute through these chapters and so you could read it holistically in that manner. But then there was another problem. The first problem is can you read this as a journey, right?

Kelby Ballena: Yeah.

Mahmoud Abuwasel: You want to read a book, you want to go from start to finish. The second problem was well if you don't,

what if you don't want to? Right? You got 600 pages here. You're a busy professional. Maybe you don't have time to sit down and read...

Margarita Rosa Arango: As much as we would want to. Everyone wants to, but you know...

Mahmoud Abuwasel: Yes. Time is a finite resource. And so well maybe they want to use this as a resource model, right? And so is there enough variation in the issues brought to courts and the courts rationale and so on that it could be topically variable enough that you would look at it for different sets of problems and then it would be worth the money to buy. Because you may buy it and put it on the shelf, not read it immediately and say, there's enough there that I can have this on the shelf for a year or two or three and refer to it every now and then because there's enough topical variation in there. And so if you go through the chapter titles you'll get an idea of how everything's in there.

Margarita Rosa Arango: But that will make it very helpful for students and professionals. Like for you to be able to have this source where you can get everything you need from, you know, that makes it easier to teach a class, to learn... I mean either students that want to learn about crypto or professors that want to teach about crypto and don't have cases or might need ideas.

Kelby Ballena: Or even a lawyer. I mean you should you should hear some of these chapters. We have like the burden of proof for wallet ownership. There's already so many questions I would have there on what enforcing unlicensed management agreements, theft, innovation in crypto trading. I mean you're going into very interesting topics and cases. Coercion and robbery using crypto assets.

Margarita Rosa Arango: Cases that are also not easy to find.

Kelby Ballena: I think this would be relevant and helpful to

us. I would like to know malicious prosecution in mining disputes. That'd be really fascinating to know more about all of these topics. So I think there's a lot of great areas, a lot of great things that you've covered in this book so I hope that some people find something that they're actually interested in. And not only that like learn a little bit more about this type of litigation because up until I had met you, I didn't even know there was crypto litigation that was out there.

Mahmoud Abuwasel: It's a growing market. Many disputes are resolved in arbitration.

Kelby Ballena: Are most of these disputes though in the UAE or are other countries handling these kind of disputes?

Mahmoud Abuwasel: Oh well no, they're all over. I mean Singapore, Hong Kong, London. The UAE is unique because of the high adoption rate.

Kelby Ballena: Okay.

Margarita Rosa Arango: And that's why you chose the UAE for your book?

Mahmoud Abuwasel: Well, that's one of the reasons, right? The other reason is if someone else wanted to look at the information, then it's not as accessible because of the language barrier or the usual tools. Like I mean if you have a Westlaw subscription in the US, you can easily expand it to include the UK. You can easily expand it to include Australia, right? Westlaw may not do that for UAE court judgments. They're issued differently. LexisNexis has a system. Now I'm promoting others. But, but the point is, it's a different resource database and they're even better ones that are grassroots from the country or the region for that information. So for the outsider, even if you're a practitioner on the outside, it's not as easy to extract the information. And then there's the actual subjective

understanding of these judgments. This is civil law jurisdiction and so you need to understand the predisposition of the adjudicator, of the judge. When reading the judgment, dozens or hundreds of pages long, there's a philosophical explanation to the rationale. And these are civil law based on the statutes. So you need to know what the statutes mean. To know what the statutes mean, you need to know the legislator's legislative intent behind the statutes and so on. So you need also to have that market experience to be able to translate the information for the average reader.

Margarita Rosa Arango: That's very interesting. Because he's translating civil law, UAE civil law to common law. That makes it easier for people who are commonly working in common law to get access to that information.

Kelby Ballena: Yeah. Yeah, I think I see some great value in it. Um so congratulations on releasing this book.

Mahmoud Abuwasel: Thank you.

Kelby Ballena: I'm sure it's going to be very useful.

Career Background & Technology

Margarita Rosa Arango: When you were younger, what did you want to be? A lawyer?

Mahmoud Abuwasel: I don't, I can't remember. I don't think I... I thought things would work themselves out.

Margarita Rosa Arango: Sometimes it's even better not to have a plan. Let life go its course.

Kelby Ballena: Yeah.

Mahmoud Abuwasel: Yeah, I mean I had fun, I was having a good time and things would work out. I did well in school, right? I did well.

Kelby Ballena: You went to school in Canada?

Mahmoud Abuwase1: Oh different places.

Kelby Ballena: Yeah.

Mahmoud Abuwase1: But when I started practicing, I had a good feel for TMT at the time. I don't know if that's still the common practice area name. Technology, media, telecommunications. I think now it's a lot more diverse. Now you have AI practice areas and Web 3.0 practice areas and so on. But 15 years ago TMT did a lot of work, did work for Snapchat, for Amazon, for unique things like geolocation and geotagging and all the social media apps.

Margarita Rosa Arango: So you've always been very involved with technology?

Mahmoud Abuwase1: At the time, I wasn't a decision maker, but I had a feel for this. I would bill good hours and clients were happy and so I did more of that work.

Tracing Crypto Frauds & "Pig Butchering"

Margarita Rosa Arango: My understanding is that crypto, it's untraceable. Then if it's untraceable, how do you claim, like how do you know who to pay what it's owed?

Mahmoud Abuwase1: If you want to talk about arbitration, traceability wouldn't overlap with arbitration. Right. If you know who you're suing, because you have an arbitration agreement, then it's about proving your right. The traceability issue comes in scam, fraud, cross-border crime. Traceability in an arbitration dispute, there could be a situation where you are a user of one of the large exchanges and by virtue of being a user, you have an arbitration agreement. And aside from that fact, separately, you get scammed from someone completely unrelated. But then you trace the funds and coincidentally they're at the exchange that you

are a user of, right? And so I imagine that would be a situation where there would be an overlap between scam and tracing and arbitration. Whether that situation would fall within the arbitration agreement, that's a different question. It's a fantastic question because you've identified the two sort of verticals in crypto disputes. One is quasi crime, right? Scams and fraud. And now in the US, the nomenclature for what's happening is pig butchering.

Margarita Rosa Arango: That's a terrible name.

Mahmoud Abuwaseel: It's used by the judges and the courts. I have judgments that say pig butchering.

Kelby Ballena: Really? Pig butchering?

Mahmoud Abuwaseel: Yeah.

Kelby Ballena: Interesting.

Mahmoud Abuwaseel: That's in the judgments. Everyone knows what the judge is talking about. What it is is when a victim is lured into making a minor investment and then they get a little bit back, they make a little bit more, they get a little bit more back and so on. So someone is asked to, told if you put a thousand, it's a great investment. They put a thousand, they get 2000 back. Then they say, well, you did it, it was great. You put 5,000, they put 5, they get 10 back. And then they're told, well, how about you put 50? Right? They put 50 and the money disappears. And it's done, and it's done through different mediums. I've got one of these cases in the book by the way, in the UAE, the United Arab Emirates. A case that happened in that sense where someone is told send money through WhatsApp and then do a YouTube tutorial, pay for it this much and then invest money here. And usually the end platform is some sort of fraud website, right? It's a website that looks completely legitimate and so on, but the money goes into a black hole and the asset never shows up again. So there's a lot of that happening. There are a lot of victims

making their claims, winning their claims, because the defendants never show up. And the crypto technical experts who we work with a lot are able to trace those funds and find where they landed and at which exchange.

Kelby Ballena: Like a bank?

Mahmoud Abuwaseh: No. It's like crypto.com or Binance. So these are exchanges.

Margarita Rosa Arango: Yes, yes, yes, yes.

Mahmoud Abuwaseh: Binance has like 300 million users. It's like, it's like the stock market exchange, but for crypto.

Margarita Rosa Arango: Yes, exactly. Exactly.

Mahmoud Abuwaseh: But anyway, the crypto is traced and it's found at a particular exchange or somewhere else. And an American judge in whatever district issues a judgment and says this victim has been scammed of a million dollars and we know the assets have landed here at this exchange or this company and you're instructed to either hold them in a constructive trust is established or to return the money. But the entity that's received the crypto assets, they're not in the US. They're somewhere abroad. And that's where a lot of the difficulty is in the cross border stuff. Now I haven't seen an ISDS claim related to crypto so far.

Margarita Rosa Arango: No, I haven't heard about it.

Kelby Ballena: I think it's never too late.

Margarita Rosa Arango: Yeah, well, I'm sure we will. We will find eventually.

Kelby Ballena: Yeah, I think so too.

Margarita Rosa Arango: Yeah. This crypto topic makes me think a lot. I have a lot of questions. I'm definitely reading your

book by the way.

Navigating International Treaties

Kelby Ballena: Yeah. But I'm thinking, do you think there's any BIT that talks about crypto or understands crypto per se as an investment? I haven't seen one.

Mahmoud Abuwaseel: They're making their way into tax treaties.

Margarita Rosa Arango: Ah, you see? Interesting.

Mahmoud Abuwaseel: Information sharing or double taxation and so on, you will find language coming up more and more that addresses digital assets. Governments are looking at how they tax digital assets, whether it's crypto or whether it's NFTs or whichever. And so a lot of treaties are being renegotiated. As you know. Right. Netherlands is renegotiating everything. India as well.

Margarita Rosa Arango: Yes.

Mahmoud Abuwaseel: And so language is making its way into, from a tax perspective. Right. Not, not so much, not so much as a standard investment protocol, but investment perspectives, cover everything. But from a tax perspective, they are trying to identify or governments are trying to identify digital assets within the tax framework.

Advice for Students

Kelby Ballena: Generally, what advice would you give students who are interested in crypto litigation?

Mahmoud Abuwaseel: The vernacular around the crypto industry is very noisy and the language is not very sophisticated most of the time. And so I would advise students to watch hearings, read transcripts and judgments from common law jurisdictions, London, the DIFC. That's the Dubai International Financial Centre. Their hearings are recorded and students can watch

them. There was a recent five-day hearing in which my book was referenced. A student has five days worth of hearings where they can watch these very senior English barristers, King's Counsel, advocate before a very intelligent judge. And you can see there the vernacular being used in the crypto industry. It's very serious, very sophisticated. And that should be what populates a student's mind. As a student, that should be what populates your mind to help you create an inner monologue or an introspect towards the crypto industry. So that when you speak of it or think of it, you do so in a serious and intelligible manner. So there are live recorded hearings, there are transcripts, you have all the court set transcripts here. The judgments and so on. And from the common law jurisdictions as well, across the board. That should be the resource model. And because the discussions are advocacy, everyone's philosophizing. You bring your own philosophy into it, the judges bring their own philosophy into it, and so on. But what that does is for a student, it helps them create their own frame of reference. Not parrot what is being said or written or so on. But when that's the resource to an extent, it helps a student to develop their own unique perspective on things. To have their own voice and from there have their own clients and their own business and so on.

Kelby Ballena: Which case in your book would you say that someone like me who is new to crypto can read and have a good understanding on how crypto disputes work?

Mahmoud Abuwasel: If there was an answer to that question, the book would be one case. Right? There are seven years worth of cases here. Right? And so you're looking at the evolutionary life cycle. And we're still in the evolutionary life cycle. But then there are things that are topical. I mean now, there's a case where someone tried to get out of a crypto deal because of the Russia Ukraine war. And now we have much more severe geopolitical instability. And so we have some foresight into, well if you have some crypto transaction taking place

and it's disrupted, what do you expect the court to say? What's your evidentiary threshold? How do you have standing? What grounds can you rely on and so on? So things are topical. And it could be either a macroeconomic issue that's topical or it could be micro. Just in your industry or in your particular service line and so on.

Conclusion & Where to Find the Book

Kelby Ballena: That's great. So anyone who's interested in the book, where could they actually find your book now?

Mahmoud Abuwasel: It's available on uaecryptolitigation.com and you can see a preview of the book. See a couple of chapters, you can order it, access the companion podcast for the book through the website as well. We have quizzes that will be available soon. And the purchase or delivery is available worldwide.

Margarita Rosa Arango: Thank you so much for coming Mahmoud. It was a pleasure to have you.

Kelby Ballena: Thank you for being a raw voice at this podcast.

Mahmoud Abuwasel: You're very welcome. Thank you.

Kelby Ballena: Thank you.

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Environmental Liability in Commercial Space Launches: Examining the South Texas Mass Tort Case Against SpaceX

June 24, 2026

On April 30, 2026, eighty plaintiffs filed a federal complaint in the U.S. District Court for the Southern District of Texas against Space Exploration Technologies Corp. ("SpaceX"). The case, [*Aguilar et al. v. Space Exploration Technologies Corp., No. 1:26-cv-00485*](#), alleges that repeated Starship launch and landing operations at the Starbase facility in Cameron County have caused structural damage to homes across Port Isabel, South Padre Island, and Laguna Vista. Asserting claims of negligence, gross negligence, and trespass under the exclusive federal jurisdiction of the Commercial Space Launch Act ("CSLA"), the case has the potential to reshape the legal relationship between commercial launch operators and neighboring communities.

The Complaint

The plaintiffs are homeowners residing roughly six to twenty-two miles from Starbase's launch pads. The complaint alleges that eleven Starship/Super Heavy test flights between April 2023 and October 2025, together with earlier sub-orbital tests and static firings, subjected their properties to intense acoustic energy. The complaint relies on peer-reviewed research by Brigham Young University scientists whose field measurements during the fifth and sixth test flights recorded maximum unweighted sound levels exceeding a threshold that SpaceX's own assessments and FAA environmental reviews recognize as the onset of structural damage risk. Sonic boom

overpressures near and exceeding such a threshold were recorded at the closest locations, which is generally associated with windows shattering and superficial structural damage.

Critically, the complaint draws on SpaceX's own regulatory submissions, including a 2024 corporate statement acknowledging a "gap in data" regarding acoustic prediction for its Raptor engines. The plaintiffs frame this as evidence that SpaceX has been operating at the frontier of acoustic science while conducting the most powerful rocket launches in history, establishing both foreseeability and conscious indifference to risk.

Legal Claims and Statutory Framework

The complaint asserts three causes of action. First, the negligence claim alleges that SpaceX failed to conduct adequate pre- and post-launch studies and proceeded despite a high likelihood of property damage. Second, the gross negligence claim seeks exemplary damages, arguing that SpaceX had actual awareness of acoustic risks, especially after the inaugural April 2023 test destroyed its own launch pad, yet continued with conscious indifference. Lastly, the trespass claim contends that SpaceX intentionally caused acoustic energy to enter the plaintiffs' properties without consent, resulting in physical harm.

Jurisdiction rests on 51 U.S.C. § 50914(g), which grants federal courts exclusive jurisdiction over third-party property damage claims arising from licensed launch activities. This provision confirms that the CSLA contemplates such suits but does not immunize the licensee. SpaceX is required under the statute to carry up to \$500 million in third-party liability insurance, and the FAA's 2022 environmental assessment explicitly stated that SpaceX would be responsible for resolving structural damages caused by sonic booms.

Potential Legal Consequences

The outcome will turn on causation: whether the plaintiffs can demonstrate that launch-generated acoustic energy, rather than pre-existing deficiencies or other factors, caused their alleged damages. The complaint does not itemize specific harm to each property, which will demand expert engineering and acoustic testimony. SpaceX may challenge the causal link and argue for regulatory compliance.

However, regulatory compliance is not typically a complete defense to tort claims under Texas law; an FAA launch license does not, by itself, insulate a licensee from negligence or trespass liability. The gross negligence claim, if successful, could expose SpaceX to exemplary damages well beyond compensatory relief. The plaintiffs' strategy of grounding their case in SpaceX's own admissions and peer-reviewed acoustic data gives it a scientific credibility that may prove difficult to overcome at summary judgment.

Industry Implications

The ripple effects of this case will likely extend well beyond South Texas. The FAA authorized up to 25 Starship launches per year from Boca Chica in 2025, and similar acoustic concerns have been flagged at Cape Canaveral, Florida, where SpaceX is building another Starship launch site. A substantial damages award or a judicially imposed constraint could prompt a reassessment of how launch site proximity to residential communities is evaluated during environmental review.

The case also exposes a gap in the CSLA framework: while the statute requires insurance and channels claims to federal court, it does not establish a dedicated compensation mechanism for communities chronically affected by launch operations (e.g., like airport regimes or military installations). As vehicles grow more powerful and cadences increase, policymakers may need to reconsider whether this

framework adequately balances interest in space access with the existing property rights of neighboring populations. For operators planning new or expanded sites, this lawsuit is a timely reminder to integrate acoustic modeling and community engagement from the outset.

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War Series: Can War Set Aside an Arbitration Award? Applying the Dubai Cassation Court's Afghan Precedent to the 2026 Iran War

June 24, 2026

Introduction: Procedural Defenses in the Context of Regional Conflict

The 2026 Iran War introduces logistical and administrative challenges for commercial operations across the Middle East. As contracting parties address contract performance and supply chain disruptions in various sectors, disputes are frequently referred to international arbitration in accordance with standard commercial agreements.

In the context of regional instability, a relevant procedural issue arises when a party attempts to challenge the validity

of arbitration proceedings or seeks the annulment of a resulting award by citing the conflict. Respondents may argue that wartime disruptions constitute a procedural force majeure, asserting that conditions prevented them from appointing representatives, receiving proper notification, or participating in hearings.

For parties seeking to enforce or defend arbitral awards in Gulf Cooperation Council (GCC) jurisdictions, understanding how local courts evaluate these annulment requests provides necessary context. Dubai Court of Cassation Judgment No. 483 of 2024 (Commercial), issued on February 12, 2025, analyzed an annulment dispute stemming from the 2020 conflict in Afghanistan, offering legal principles applicable to arbitrations conducted during the 2026 Iran War.

The Factual Matrix: The Afghan Conflict and Annulment Proceedings

The dispute in Dubai Cassation Judgment No. 483/2024 originated from a 2018 contract concerning the Afghan National Airports project. Following the change in government and the outbreak of conflict in Afghanistan in 2020, the claimant initiated arbitration before the Permanent Court of Arbitration (PCA). When the respondent did not appoint an arbitrator within the contractual timeframe, the PCA appointed a sole arbitrator who eventually issued an award.

The respondent subsequently filed an annulment action in the Dubai courts. The respondent argued that the Afghan conflict constituted a force majeure event that prevented the formation of a government, hindered the appointment of authorized legal representatives, and restricted their ability to present a defense. Additionally, they claimed the arbitrator violated due process by sending procedural orders to an unauthorized employee's email address rather than an official representative. Finally, the respondent argued the arbitrator failed to correctly apply the agreed-upon Afghan law,

specifically contesting the award of interest, which they asserted was not permitted under that legal framework.

The Court's Ruling: Digital Participation and Procedural Due Process

The Dubai Court of Cassation dismissed the annulment action, establishing that the physical constraints of a regional conflict do not automatically invalidate arbitration proceedings if the party had practical means to participate.

The Court examined the procedural record and observed that, despite the ongoing war, the respondent was aware of the proceedings and engaged with the tribunal. The evidentiary record demonstrated that the respondent had requested extensions of time, submitted documents, and paid their share of the arbitration advance on costs (amounting to 145,625 AED). Furthermore, representatives for the respondent had appeared before the arbitrator and corresponded via email.

Crucially, the Court noted that the arbitration hearings were conducted via video conferencing technology. The Court concluded that the use of video technology enabled direct participation, and therefore the claims regarding the war did not constitute a sufficient reason for the failure to present a defense.

This precedent indicates that GCC courts review the factual record of a party's engagement. Administrative interactions, such as paying fees, sending email correspondence, or accessing virtual hearings, are weighed against claims that wartime conditions precluded participation.

Scope of Review and the Burden of Proving Foreign Law

The Court also addressed the respondent's claim that the arbitrator misapplied the substantive Afghan law regarding the awarding of interest.

The Dubai Court of Cassation reaffirmed a standard principle of the UAE arbitration framework: an annulment action is a procedural review, not an appeal on the substantive merits. The judiciary's supervisory role does not extend to reassessing the arbitrator's evaluation of evidence or their interpretation of the law.

Furthermore, under UAE evidentiary principles, foreign law is treated as a material fact. The party asserting that a foreign law was misapplied bears the burden of proving its existence and content. Because the respondent alleged that interest was prohibited under Afghan law but failed to submit formal proof that the provisions applied by the arbitrator were invalid or contrary to Afghan law, the Court rejected the argument.

Procedural Considerations for Arbitration in the 2026 Context

For commercial entities and legal practitioners managing arbitrations and subsequent enforcement proceedings during the 2026 Iran War, the Dubai Court of Cassation precedent highlights several practical considerations:

- **Documenting Engagement:** Tribunals and claimants should maintain comprehensive records of interactions with the respondent. Routine administrative actions, such as the payment of institutional fees, email correspondence, or requests for procedural extensions, can serve as evidence of notification and capacity to participate, addressing subsequent annulment claims based on wartime disruption.
- **Utilizing Virtual Proceedings:** Conducting proceedings via video conferencing addresses logistical constraints. As demonstrated in the judgment, the availability of digital hearing options provides an accessible venue and mitigates claims that regional instability prevented a party from presenting their case.
- **Evidentiary Requirements for Foreign Law:** When challenging or defending an award based on the

application of a foreign substantive law before GCC courts, parties must adhere to evidentiary standards. Assertions regarding foreign legal principles must be supported by submitting authenticated texts of the relevant foreign legislation to meet the burden of proof.

Conclusion

As regional operations adjust to the logistical challenges of the 2026 Iran War, disputes concerning the validity of arbitration proceedings are evaluated on procedural grounds by local courts. Dubai Court of Cassation Judgment No. 483/2024 demonstrates that GCC courts maintain a defined scope for annulment. The logistical difficulties associated with regional conflict do not inherently justify a failure to participate, particularly when virtual proceedings are utilized and administrative engagement is documented. For parties enforcing contractual rights, adherence to procedural requirements and evidentiary standards remains standard practice for securing and defending arbitral awards.

Wasel & Wasel advises on commercial disputes, international arbitration, and cross-border award enforcement within the UAE courts and the broader GCC. The firm represents international contractors and commercial entities in proceedings before the UAE Federal and Emirate-level Courts, handling the execution of arbitral awards and advising on annulment actions. Their practice includes advising entities on procedural requirements, managing multi-jurisdictional arbitrations under institutional rules, and addressing jurisdictional matters in international dispute resolution.

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Artificial Intelligence Hallucinations in Arbitration: Analyzing the Landmark Award Annulment in *ARIHQ c. Santé Québec*

June 24, 2026

The advent of generative artificial intelligence (AI) has brought unprecedented capabilities and efficiencies to the legal profession. However, alongside its benefits come profound risks, particularly when AI is employed in adjudicative decision-making. The recent landmark ruling by the Quebec Superior Court in *Association des ressources intermédiaires d'hébergement du Québec (ARIHQ) c. Santé Québec* (2026 QCCS 1360) serves as a stark warning to the international and domestic arbitration communities. In an unprecedented move, the Court annulled an arbitral award after finding that the sole arbitrator had implicitly delegated his decision-making authority to a generative AI tool, which resulted in the inclusion of “hallucinated” jurisprudence and legal doctrine.

This article unpacks the *ARIHQ* judgment, explores the comparative international grounds for setting aside such awards under the New York Convention and the UNCITRAL Model Law, surveys the growing global judicial consensus on AI, and proposes practical safeguards for inclusion in arbitration agreements and Terms of Reference.

The Judgment: *ARIHQ c. Santé Québec*

The dispute originated from an unpaid retroactive remuneration claim between a healthcare intermediary resource (Osman) and a Montreal health authority (CCSMTL, now Santé Québec). An arbitrator dismissed the claim on preliminary grounds, ruling that the contractual notice periods had expired. The claimants sought to annul the award before the Quebec Superior Court, relying on two grounds: first, that the award violated public policy by modifying statutory prescription periods; and second, that the arbitral procedure was not respected because the arbitrator relied on non-existent legal authorities, strongly suggesting the use of generative AI.

The Honourable Martin F. Sheehan swiftly dismissed the public policy argument, affirming the well-established principle that a mere error of law—even concerning public policy provisions—does not justify setting aside an arbitral award unless the outcome itself is fundamentally repugnant to public order.

However, the Court decisively upheld the procedural challenge. Reviewing the award, the Court verified that the central doctrinal and jurisprudential authorities cited by the arbitrator to support the validity of the forfeiture clause simply did not exist. The arbitrator had referenced a fabricated doctrinal article by a real author and hallucinated judgments ostensibly from the Quebec Court of Appeal and the Superior Court (e.g., fictitious citations for *Ville de Montréal c. Syndicat des cols bleus* and *Tremblay c. Commission scolaire de la Jonquière*).

The Court emphasized the *intuitu personae* nature of arbitration—the principle that an arbitrator is chosen for their personal expertise, judgment, and authority. Relying on an AI tool to formulate the substantive reasoning without verifying the output violated the fundamental maxim *delegatus non potest delegare* (a delegate cannot delegate) and breached the secrecy of deliberations.

Translating the crucial analytical and operative parts of the judgment, Justice Sheehan concluded:

“The preponderance of the evidence therefore leads to the conclusion that the Arbitrator’s authority was delegated and that he abdicated his role to review the result. This conclusion is inevitable given that all of the doctrinal and jurisprudential references on which the Arbitrator relies are non-existent and ‘hallucinated’. For this reason, the Award must be annulled.”

The Court, however, added a critical caveat: not every use of AI will automatically lead to annulment. If the AI usage is minimal, or if the hallucinated references do not form the crux of the reasoning, the award might survive if the breach did not fundamentally taint the proceedings. But in this case, the breach struck at the very heart of the arbitrator’s reasoning and affected the confidence of the parties in the arbitration regime.

The operative part (*dispositif*) reads:

“FOR THESE REASONS, THE COURT: ANNULS the arbitral award rendered on August 8, 2025, by the impleaded party, Mr. Michel A. Jeanniot; ORDERS the parties to choose a new arbitrator within 60 days of this judgment; THE WHOLE, with legal costs.”

Domestic Set-Aside Grounds and Comparative International Frameworks

The Quebec Code of Civil Procedure (C.C.P.) is deeply influenced by the UNCITRAL Model Law, making this judgment highly instructive for international practitioners. The Court annulled the award under Article 646(3) of the C.C.P., which allows set-aside where “the applicable arbitral procedure was not respected.”

The UNCITRAL Model Law and the New York Convention

Under Article 34(2)(a)(iv) of the UNCITRAL Model Law, and identically under Article V(1)(d) of the New York Convention, an award may be set aside or refused enforcement if “the arbitral procedure was not in accordance with the agreement of the parties.”

When parties agree to arbitrate, they contract for a bespoke dispute resolution process wherein a specific human tribunal exercises independent intellectual judgment. The use of an unverified Large Language Model (LLM) to draft the award’s substantive reasoning is a structural deviation from this agreed procedure. Furthermore, feeding confidential submissions into a public AI tool violates the confidentiality and secrecy of deliberations inherent in arbitration.

The Public Policy Exception

While the Quebec Court dismissed the substantive public policy argument, an award heavily reliant on AI hallucinations could trigger the procedural public policy exception under Article 34(2)(b)(ii) of the Model Law and Article V(2)(b) of the New York Convention. An award anchored in fabricated law deprives the losing party of the right to a fair hearing and the opportunity to present its case (*audi alteram partem*). The parties cannot possibly address or distinguish phantom precedents during the proceedings. Enforcement courts in major hubs like London, New York, or Singapore would view the abdication of the adjudicative function to a “black box” algorithm as a severe affront to fundamental notions of justice, procedural fairness, and due process.

Global Court Directions on AI Usage in Proceedings

The *ARIHQ* judgment resonates with an emerging global judicial consensus that demands strict guardrails around the use of generative AI in dispute resolution. Courts and tribunals worldwide have recently confronted the consequences of “AI hallucinations” and have responded with firm directives.

United States

The U.S. has been ground zero for AI in litigation, notably following the infamous *Mata v. Avianca* case, where lawyers were sanctioned for submitting AI-generated fictitious case law. Consequently, numerous federal and state judges have issued standing orders. These orders typically mandate that counsel file a certificate attesting that no generative AI was used in drafting, or that if it was, a human attorney rigorously verified the accuracy of all citations and legal propositions. The focus is squarely on human accountability and preventing the waste of judicial resources on fabricated jurisprudence.

United Kingdom

In late 2023, the UK Courts and Tribunals Judiciary issued official guidance for judicial office holders. While acknowledging the utility of AI for administrative tasks, the guidance explicitly warns judges about the severe risks of hallucinations and deepfakes. The UK Master of the Rolls has emphasized that judges remain personally responsible for their judgments and must not delegate legal analysis or substantive drafting to AI tools, safeguarding the integrity of the “judicial mind.” Furthermore, it firmly warns against entering any confidential case information into public AI chatbots.

Middle East (QFC and ADGM)

Progressive commercial courts in the Middle East have taken decisive action against AI misuse. In the Qatar Financial Centre (QFC), the Civil and Commercial Court’s late-2025 judgment in *Sheppard v Jillion LLC* found a lawyer in contempt for repeatedly citing AI-generated fake cases. This prompted the QICDRC to issue Practice Direction No. 1 of 2026, which established a comprehensive framework requiring lawyers to independently verify AI-generated submissions. Similarly, in the Abu Dhabi Global Market (ADGM), the Court in *Arabyads v*

Gulrez Alam [2025] ADGMCFI 0032 ordered severe wasted costs against a legal team that submitted a defense riddled with false, AI-generated legal authorities, concluding that unverified AI use amounts to reckless professional conduct.

Proposed Directions for Terms of Reference and Arbitration Agreements

The *ARIHQ* decision underscores a critical vulnerability: waiting for a court to set aside a tainted award means the parties have already suffered the immense costs and delays of a compromised arbitration. To proactively mitigate these risks, parties should expressly regulate the use of AI in their Arbitration Agreements, or more practically, in the Terms of Reference (ToR) and Procedural Order No. 1 (P01).

Practitioners should consider integrating the following AI protocols:

- **Explicit Prohibition of Delegation:** The ToR should clearly state that the arbitral tribunal must not delegate its adjudicative, analytical, or substantive decision-making functions to any generative AI tool. The arbitrator must assume full, personal responsibility for the reasoning, legal research, and drafting of the award.
- **Permitted Uses and Mandatory Verification (Human-in-the-Loop):** Parties can define acceptable AI use, such as utilizing AI for translation, formatting, or document summarization, provided it does not replace substantive analysis. P01 should include an affirmative obligation for both the tribunal and counsel to strictly verify any AI-assisted output against primary legal sources. The tribunal could be required to issue a “Statement of Human Authorship” within the final award confirming that all citations and factual references have been manually verified.
- **Confidentiality and Data Security Guardrails:** To protect

the secrecy of deliberations and party confidentiality, the ToR must prohibit the uploading of confidential case information, pleadings, or evidence into open-source or publicly accessible generative AI models (e.g., public versions of ChatGPT). Only secure, closed-loop enterprise AI systems that do not retain data for model training should be permitted.

- **Transparency and Disclosure:** If a party intends to rely on materials or legal submissions substantially generated by AI, they should be required to disclose this fact to the tribunal and opposing counsel. Likewise, the tribunal should disclose if AI tools were used for any significant administrative or drafting assistance.

Conclusion

The Quebec Superior Court's annulment of the award in *ARIHQ c. Santé Québec* serves as a defining precedent in the modern era of dispute resolution. It establishes a clear boundary: while technology can enhance the efficiency of the arbitral process, it cannot usurp the human judgment that parties contractually bargained for. As generative AI tools become ubiquitous, the international arbitration community must proactively regulate their use. By embedding robust AI guidelines into Terms of Reference, parties can protect the integrity of their proceedings, safeguard confidentiality, and insulate their awards from the devastating consequences of digital hallucinations.

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