Telos Network Arbitration Process

1. Arbitration on the Telos Network

As a governed blockchain, the Telos Network supports the arbitration of disputes or necessary intervention to change values of an account or contract on the Telos Network. Due process arbitration, as described within this document, is the only method whereby a value or contract action may be altered outside of the decisions of the Member controlling the owner private key, or when there is no owner private key, the active private key of an account or contract. Reference is made to the Telos Network Operating Agreement ("TNOA"), which is the prevailing governance document of the Telos Network. This document, which is subject to the TNOA and adopts its definitions, describes the process by which the binding arbitration is carried out.

2. Definitions

An arbitration "Case" is a dispute which has been filed using the "arbitration" contract. It may be comprised of one or more Claims. The Member or Members filing a claim in an arbitration case is the "Complainant." The Member, Members, or contract that the claim is filed against is the "Respondent." A "Claim" is the charge that the Complainant accuses the Respondent of committing. "Relief" is the action that the Complainant requests the Arbitrator take to rectify the dispute. The "Decision" is the action called for by the Arbitrator to discharge the Case. A Decision is rendered in the form of a transaction or transactions to be enacted by the Block Producers and a written explanation of the Assigned Arbitrator(s) findings.

3. Limit of Jurisdiction

The jurisdiction of the Telos Network Arbitration Process is limited to Telos Network Members and value or information recorded by Members on the Telos Network blockchain because only Members have agreed to be bound by the TNOA and its rules. Any Member may submit a case for arbitration against another Member, Members, or contract. No order entered from a terrestrial jurisdiction shall initiate an arbitration case unless the Claimant becomes a Member and agrees to abide by the terms of the TNOA.

4. Arbitration Forum

The default arbitration forum on the Telos Network is arbitration by Elected Arbitrators. When all parties to a contract have freely agreed at the time of contract execution to submit to binding arbitration by the same alternative arbitration forum, and that arbitration forum has recorded its rules on the Telos Network blockchain in whole or as a hashed value with a pointer to the complete text, or alternatively, expressly to no dispute resolution as form of dispute resolution embracing the concept of "code is law," then the named alternative arbitration forum shall be utilized under its rules.

5. Release of Claim Against Arbitrators

Elected Arbitrators, having been duly elected by the Members and meeting the Arbitrator Minimum Requirements at the time of their assignment are specifically released from any action or claim by any arbitration party arising from the Elected Arbitrator's service on any Case.

6. All Decisions Final

All Arbitration Decisions are binding, final, and unappealable.

7. Case Classes

Arbitration Cases must fit into one or more distinct set of similar features regarding the type of Claim and Relief ("Class"). There are fourteen Classes of Arbitration Cases and Cases may include more than one Class and Claim in their Case. The Classes are:

    a. Lost Key Replacement: A Claimant claims to own another account (the Respondent) though without control of the account keys due to loss, not theft, and seeks the Relief of changing the Respondent account's private keys.

    b. Transaction Reversal: A Claimant claims to have erroneously transferred value to another account (the Respondent) which cannot or does not return the transaction and seeks the Relief of returning the value transferred.

c. Emergency Intervention (account or contract freeze): A Claimant claims that another account or contract (the Respondent) requires emergency intervention in order to prevent undue loss or other harm and seeks the Relief of immediately halting all transactions from that account until further arbitration can proceed.

d. Contested Ownership: A Claimant claims to own another account (the Respondent) though without control of the account keys due to contested ownership, and seeks the Relief of changing the Respondent account's private keys.

e. Identification of Party from Unexecuted Adjudication Decision: A Claimant claims that the Respondent is the same Member about whom a previous arbitration case filed a Decision against that could not be fully executed due to inadequate funds or another reason and seeks the Relief of enacting the original Decision transaction or some part thereof.

f. Breach of Contract: A Claimant claims that a contract (the Respondent) performed its computer language execution in a manner that did not match the intent recorded in the human language terms, and seeks the Relief of altering the current content of the blockchain to reflect the stated intent.

g. Misappropriation or Misuse of Information or Intellectual Property: A Claimant claims that the Respondent misappropriated or misused information or other intellectual property (including proprietary computer code, trademarks, copyrights et cetera) and seeks the Relief of ending the use.

h. A Tort: A Claimant claims that the Respondent perpetrated harm or injury upon Claimant and seeks the Relief of damages, including punitive damages, to cure the harm.

i. Appeal of Block Producer Penalty: A Claimant, who is a Block Producer that has been penalized by a vote of other Block Producers claims that the Telos Network (Respondent) enacted an undue penalty and seeks the Relief of having the penalty removed or reduced.

j. Accusation of Arbitrator Wrongful Action: A Claimant claims that the Respondent, an Elected Arbitrator or former Elected Arbitrator, acted wrongfully, to willfully deprive Claimant of a just arbitration and seeks the Relief of penalizing the Respondent by invalidating their service as an Elected Arbitrator under the Arbitrator Minimum Requirements for some period of time.

k. Core code bug or Wrongful Action: A Claimant, who is a Block Producer or Standby Block Producer at the time of filing, claims that Respondent, a contract or system contract, is acting in a manner that is unintended or not compliant with the terms of its human language contract and seeks the Relief of altering the contract in a specific and stated manner.

l. Failure to Deliver Worker Proposal System Project: A Claimant, which is an aggregate group comprised of at least 15 of the Block Producer at the time of filing, Claims that Respondent, a Worker Proposal System Recipient, has failed to deliver the work product or other project deliverables as described in a Worker Proposal that the Recipient was paid to perform, and seeks the Relief of some form of financial restitution to the Worker Proposal contract.

m. Breach of TNOA: A Claimant claims that some Member, Members, or contract (the Respondent) is out of compliance with the governance documents of the Telos Network as expressed in the Telos Network Operating Agreement and seeks Relief to rectify this breach.

n. Miscellaneous: A Claimant claims that some Respondent has caused some manner of cost or harm (the Claim) that is not described in any other Claims Case and requests some form of Relief.

8. Arbitration Parameters Set by Block Producers

The Block Producers shall, by a 2/3+1 majority vote, determine the following parameters pertaining to arbitration by Elected Arbitrators:

    a. The maximum number of Elected Arbitrators that may serve at any time.

    b. A schedule of the number of Elected Arbitrators to serve on each Class of Case, further defined by the financial or other requests in the claim.

    c. The initial deposit required to file any Class of Case.

    d. The maximum fee schedule by Class of Case and percentage of Relief requested for each Claim.

    e. A schedule of any additional arbitration fees, to be paid from a fund allocated by the Worker Proposal System or Telos Foundation accounts based on the Class of Case.

Schedules voted by the Block Producers must be in a form that can be readily enacted under current system parameters to be valid, otherwise the most recently enacted terms shall continue to apply.

9. Initiating a Case

To initiate a Case, a Member executes the "arbitration" contract, providing the following:

    a. Case number of an existing Case or a new case number generated by the contract

    b. Claimant

    c. Respondent

    d. The Class of Claim

    e. The Claim

    f. The Relief requested

    g. Any additional Classes, Claims, and requested Reliefs associated with the same case

    h. Payment of an initial deposit based on the deposit amount requested for each Claim by Class, in accordance with the schedule most recently selected by the Block Producers.

10. Assigning Arbitrator

All Elected Arbitrators will flag themselves as available to receive new cases whenever their capacity and schedules allow. As a Case is filed, the "arbitration" contract will randomly select an Arbitrator, or Arbitrators from among all Elected Arbitrators flagged as available to receive new cases (the "Assigned Arbitrator").

11. Arbitrator Identities Anonymous During Proceedings

From the time an Assigned Arbitrator or Arbitrators are selected by the "arbitration" contract until the Decision is rendered to the Block Producers, the identity of each Assigned Arbitrator shall remain anonymous to any party in the arbitration, including other Assigned Arbitrators.

12. Arbitrator Seniority

In Cases where the Block Producers have scheduled more than one Assigned Arbitrator per Case, each Assigned Arbitrator shall have an equal vote and none shall be senior to any other on the case.

13. Arbitrator Recusal

Any Assigned Arbitrator shall recuse itself from a Case immediately upon discovering a conflict of interest that may affect the arbitrator's judgment in the case, or when the Assigned Arbitrator becomes unable to perform its duties, or when the Assigned Arbitrator is acted upon or influenced by an outside force such as the Elected Arbitrator's terrestrial government to affect the Case. Whenever an Assigned Arbitrator leaves a case for any reason, a new Assigned Arbitrator will be randomly selected from the pool of available Elected Arbitrators. When a number of individuals belong to a firm or collective that has been elected as an Elected Arbitrator as a group and subsequently assigned to the Case then another member within that Assigned Arbitrator group who is able to take the Case and without conflict of interest may replace the arbitrator unable to serve.

14. Assigned Arbitrator Removal

If an Assigned Arbitrator to a Case shall be found to no longer be in compliance with the terms of the Arbitrator Minimum Requirements, or if an Assigned Arbitrator is no longer voted into a position of an Elected Arbitrator, then, that arbitrator may no longer receive new Case assignments. Any Assigned Arbitrator shall continue with all current cases through completion or recusal regardless of current compliance with the minimum requirements, or voting, provided that the

Assigned Arbitrator has not been rendered incapable to perform due to an arbitration case against the arbitrator that has found against the arbitrator and imposed a penalty preventing current service. In such a situation, the Assigned Arbitrator having received this penalty will immediately recuse, or be removed from all current cases.

15. Notice of Arbitration Case
When a Case is accepted for arbitration it shall be recorded to the table of arbitration cases, including the account names of both the Claimant and the Respondent. The Respondent shall also receive a message in the form of a 0.0001 TLOS transaction with message attached, or some other manner devised for informing the Respondent in an on-chain manner. Notice to Respondent is deemed to have been received upon recordation to Respondent's account on the Telos Network. In cases where an emergency freeze of accounts is requested, the recordation and notification will not occur until the Elected Arbitrator has had up to 24 hours to freeze the account.

16. Filing a Counter-case
Any Respondent in an Arbitration Case may file a counter-case against the Claimant by using the Case number of the original Case instead of a new, generated case number. Cases and counter-cases shall be heard together by the same individual or group of Elected Arbitrators as the original case, except where the new case escalates the number of Arbitrators required to hear the counter-case due to the arbitration Parameters set by the Block Producers. In such an event, the additional Elected Arbitrators shall rule over all Claims in the Case. The arbitrators may assign a greater proportion of the arbitration fees to one filing a counter-case in their Decision.

17. Joining a Case
In the case of multiple parties making claims against the same Respondent(s), additional parties may attempt to join an existing arbitration Case by executing the "arbitration" contract and providing the number of the original Case instead of a new, generated case number. It will be at the Assigned Arbitrator(s) discretion whether the additional Claimants shall be allowed to join the Case, based on similarities of Claims and the possibility of insufficient Respondent funds to satisfy all Claimants. Claimants not permitted to join the Case may file their own arbitration Case against the same Respondent. When multiple Claimants have joined a Case, the Assigned Arbitrator(s) shall have the authority to decide varied Decision transactions for each of them. All joined Cases shall be heard together by the same Assigned Arbitrator(s) as the original case, except where the new case escalates the number of Arbitrators required to hear the joined case due to the arbitration Parameters set by the Block Producers. In such an event, the additional Elected Arbitrators shall be assigned at random from the Arbitrator pool. The arbitrators may assign a greater proportion of the arbitration fees to differing joined Claimants in their Decision.

18. Language of Arbitration Proceedings
Upon commencement of any proceedings, the Assigned Arbitrator(s) shall determine the language or languages in which the arbitration shall officially occur, considering the Assigned Arbitrator(s) language(s), the language of the parties, and the language of the human-language terms of the contract.

19. Translators
Each party to the arbitration shall bear its own costs in procuring translation services necessary to participate in the arbitration. The Assigned Arbitrators may retain translators as required and pass the cost on to the parties as they judge appropriate.

20. Expert Witness Testimony
Any Case may employ expert witness testimony, particularly when highly technical matters are under arbitration. Each party to the arbitration shall bear its own costs in procuring expert witnesses. The Assigned Arbitrators may retain experts as required and pass the cost on to the parties as they judge appropriate.

21. Nature of Arbitration Proceedings
The Arbitration Proceedings of any case shall follow the following phases: filing Case, Assignment of Arbitrator(s), presentation of evidence and response by the parties, questioning or other information-seeking by the Assigned Arbitrator(s), deliberation by Assigned Arbitrator(s), revealing the Decision, and execution of the Decision transaction(s) by the Block Producers.

22. Arbitration in Absentia

The nature of the Telos Network blockchain provides no method to compel a Respondent to participate in arbitration. Therefore, Respondents may face arbitration in absentia in Cases where they fail to respond for a period greater than 1,000,000 blocks (approximately 6 days) or a longer period as determined by the Assigned Arbitrator(s) in the Case. A Respondent who has been tried in absentia in a Case but who responds prior to the Assigned Arbitrator(s) Decision being rendered, may present evidence and arguments in their defense at the discretion of the Assigned Arbitrators.

23. Presentation of Evidence

All evidence presented in the case will be recorded to an IPFS site and provided to the Assigned Arbitrator(s) with an address to access the contents and a hashed value to ensure they have not been altered. Such records shall remain in the case file indefinitely. Parties pay their own costs of such recordation.

24. General Preference for Cryptographic Evidence

Where available, cryptographic evidence in the form of hashed messages proving the control of certain accounts, is deemed the strongest form of evidence and weighted preferentially over other forms of evidence. In cases of contested ownership of an account, a cryptographically hashed message from the current account shall not be accepted as proof of ownership of said account under dispute. However, cryptographic proof of accounts shown to be closely related to the ownership of the account in question may still be considered as evidence.

25. Proceedings

Arbitration proceedings shall be carried out in a manner of the Assigned Arbitrator(s)'s choosing, which shall be clearly presented to all parties at the outset of arbitration, provided that said manner must comply with any representation or attestations made by the Assigned Arbitrator(s), including the human-language terms of the "regarbitrator" contract the Arbitrator(s) executed in order to self-nominate as a Telos Network arbitrator. The Assigned Arbitrator(s) in each Case shall record, or made to be recorded, notes pertaining to the facts and proceedings of the Case, which shall be publicly recorded on the Telos blockchain upon rendering the Assigned Arbitrator(s)'s Decision.

26. Inclusion of Precedents

In an effort to provide consistent rulings across the Telos Network, Claimants, Respondents, and Arbitrators may refer to prior legal precedents from amongst the prior Case Decisions recorded on the Telos blockchain. Precedent Cases shall inform proceedings and Decisions where applicable to the current case. It is granted that the first years of the Telos Network may provide a small number of precedents that may be initially inconsistent. During this time, Assigned Arbitrators may give less weight in their decision-making when precedents are inconsistent or poorly applicable.

27. Identification of Additional Accounts

If the Claimant identifies additional Telos Network accounts owned by the Respondent in any Case, the Assigned Arbitrator(s) will determine, based on evidence, whether any of these accounts may be joined to provide Relief in the Case. Establishing a connection between the Respondent and such accounts shall be the burden of the Claimant. Joined accounts may be held equally liable as the initially named Respondent account and shall be named as conditional transactions to be executed in the Decision.

28. Scope of Decision

The Assigned Arbitrator(s) in a case shall have broad powers to include in their Decisions matters including restitution, damages, punitive damages, code change, and payment of arbitration fees and costs, including the costs incurred by the prevailing party at the determination of the Assigned Arbitrator(s) whether or not such payments were envisioned in the contract, unless such forms of payment were specifically excluded. The Decision rendered by the Assigned Arbitrator(s) may extend beyond the Relief sought in the original Claim.

29. Execution of Decision

The Assigned Arbitrator(s) in a Case shall deliver the Decision to the Block Producers in the form of a posting of new arbitral Decisions. The Block Producers shall have no more than 48 hours to execute the transaction(s) incorporated in the Assigned Arbitrator(s)'s Decision. If insufficient funds exist in the primary account named in a Decision, then the block producers shall charge that account to the maximum extent possible and attempt to perform the remaining transactions upon conditional accounts included in the Decision. Any amount of the Decision that cannot be transacted shall remain recorded on the arbitration Case as an amount due, should a future arbitration case find that the responsible party is now

interacting with the Telos Network though different accounts. Failure to execute the Decision by any Block Producer after 48 hours shall render that Block Producer as out of compliance with the Block Producer Minimum Requirements until the Block Producer acts to execute the transaction or until the Case Decision shall be executed to the extent possible. The arbitration Case shall record the transaction hashes of all transactions successfully performed in any Case.

30. Accusation of Arbitrator Malfeasance

If any Arbitrator is accused as the Respondent in a case alleging Arbitrator Malfeasance, the Case will be heard by no fewer than 3 Elected Arbitrators. In the event of a Decision for the Claimant, the Assigned Arbitrators in the Case will determine an amount of time the Respondent shall be prohibited from further service as an Arbitrator.

31. External Courts

The Telos Network, as an organization comprised of Members who have freely accepted the terms of the TNOA, including binding arbitration on all matters pertaining to the Telos Network, and as a trans-national network where transactions may fluidly cross national borders, does not recognize the courts or orders of any terrestrial government as a valid arbiter regarding what value and information are recorded on the Telos Network blockchain. In cases where a terrestrial government attempts to influence the proceedings, Decision, or execution of any arbitration matter, the attempted influence shall be recorded and reported to the Elected Block Producers along with delivery of the Decision. Any Assigned Arbitrator(s) governed by or exposed to the jurisdiction of an intervening external court shall recuse itself from the case immediately. Any Elected Block Producers residing in the terrestrial jurisdiction of an external court attempting to intervene into the arbitration Case shall temporarily remove themselves from the network in a responsible manner prior to the Decision transaction(s) being executed on the blockchain. External courts may engage with the Telos Network blockchain by accepting the terms of the TNOA and becoming Members. Findings and judgements from outside courts may be entered as evidence in any arbitration Case to be considered at the discretion of the Assigned Arbitrators.