STATE OF NEW YORK

86--A

2025-2026 Regular Sessions

IN SENATE

(Prefiled)

January 8, 2025

Introduced by Sen. SEPULVEDA -- read twice and ordered printed, and when printed to be committed to the Committee on Judiciary -- recommitted to the Committee on Judiciary in accordance with Senate Rule 6, sec. 8 -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

AN ACT to amend the civil practice law and rules, in relation to grounds for vacating an arbitration award on the basis of partiality of the arbitrator

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Article 75 of the civil practice law and rules is amended by adding a new section 7500 to read as follows:

§ 7500. Definitions. As used in this article:

(a) "Arbitration" means the use of a decision-making forum conducted by an arbitrator or panel of arbitrators within the meaning and subject to the provisions of this article.

(b) "Neutral third party arbitrator" means an arbitrator who does not have an undisclosed known, direct, and material interest in the outcome of the arbitration proceeding or a known, existing, and substantial relationship with a party, counsel, or representative of a party.

(c) "Employment" means a relationship between an employer and an employee, as defined in section three of the Fair Labor Standards Act of 1938 (29 U.S.C. § 203) but who is neither an officer nor employed pursuant to an individualized, mutually-negotiated employment contract.

(d) "Consumer" means a natural person residing in this state who is involved in a consumer dispute.

(e) "Consumer dispute" means a dispute between an individual who seeks or acquires real or personal property, services (including services relating to securities and other investments), money, or credit for personal, family or household purposes and the seller or provider of

EXPLANATION--Matter in *italics* (underscored) is new; matter in brackets [-] is old law to be omitted.

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such property, services, money or credit, but shall not include any such property or service, including financial products and services where the terms of acquisition of such product or service are mutually negotiated between the seller and the purchaser of such property or service.

§ 2. Section 7501 of the civil practice law and rules, as amended by chapter 532 of the laws of 1963, is amended to read as follows:

§ 7501. Effect of arbitration agreement. A written agreement to submit any [~~controversy~~] employment or consumer dispute thereafter arising or [~~any~~] then existing [~~controversy~~] to arbitration is enforceable without regard to the justiciable character of the controversy and confers jurisdiction on the courts of the state to enforce it and to enter judgment on an award; provided, however, that, with the exception of arbitrators designated pursuant to a collective bargaining agreement between an employer and a labor organization and except where inconsistent with federal law, any language requiring that such employment or consumer dispute be submitted to an arbitrator or arbitration organization that is not a neutral third-party arbitrator, as that term is defined in subdivision (b) of section seventy-five hundred of this article, shall be deemed void; provided that it shall be valid with respect to the requirement that the controversy be arbitrated. In arbitrations that are not governed by a collective bargaining agreement between a labor organization and an employer the requirement that such employment or consumer dispute be heard by a neutral third-party arbitrator may not be waived by party prior to the service on such party of a demand for arbitration. Upon disclosure pursuant to section seventy-five hundred five-a of this article of a known, direct, and material interest in the outcome of the arbitration proceeding or a known existing and substantial relationship with a party, counsel, or representative of a party, a party shall be deemed to have waived any objection to the arbitrator by failing to raise same within thirty calendar days of receiving the disclosure. In determining any matter arising under this article, the court shall not consider whether the claim with respect to which arbitration is sought is tenable, or otherwise pass upon the merits of the dispute.

§ 3. The civil practice law and rules is amended by adding a new section 7505-a to read as follows:

§ 7505-a. Disclosure by arbitrator. (a) Before accepting appointment to any employment or consumer dispute, an individual who is requested to serve as an arbitrator, after making a reasonable inquiry, shall disclose to all parties to the agreement to arbitrate and the arbitration proceeding and to any other arbitrators any known facts that a reasonable person would consider likely to affect the impartiality of the arbitrator in the arbitration proceeding, including:

(1) a financial or personal interest in the outcome of the arbitration proceeding; and

(2) an existing or past relationship with any of the parties to the agreement to arbitrate or the arbitration proceeding, their counsel or representatives, a witness, or another arbitrator.

(b) An arbitrator has a continuing obligation to disclose to all parties to the agreement to arbitrate and the arbitration proceeding and to any other arbitrators any facts that the arbitrator learns after accepting appointment which a reasonable person would consider likely to affect the impartiality of the arbitrator.

(c) If an arbitrator discloses a fact required by subdivision (a) or (b) of this section to be disclosed and a party timely objects to the appointment or continued service of the arbitrator based upon the fact

disclosed, the objection may be a ground for vacating an award made by the arbitrator if the court holds that the arbitrator was partial as provided for in section seventy-five hundred eleven of this article.

(d) If the arbitrator did not disclose a fact as required by subdivision (a) or (b) of this section, upon timely objection by a party after discovery of such non-disclosure, the court may vacate an award based on such non-disclosure if the court holds that the arbitrator was partial as provided for in section seventy-five hundred eleven of this article.

(e) This section shall not apply to an arbitration proceeding conducted pursuant to the terms of a collective bargaining agreement.

§ 4. This act shall take effect immediately.