

STATE OF NEW YORK

5425--A

2025-2026 Regular Sessions

IN SENATE

February 21, 2025

Introduced by Sen. HOYLMAN-SIGAL -- read twice and ordered printed, and when printed to be committed to the Committee on Judiciary -- 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 arbitration agreements

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

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

3 § 7500. Definitions. As used in this article:

4 (a) "Arbitration" means a form of dispute resolution that is an alter-
5 native to litigation, in which the parties agree to be bound by the
6 determination of a neutral third party arbitrator.

7 (b) "Neutral third party arbitrator" means an arbitrator or panel of
8 arbitrators each of whom does not have an undisclosed known, direct or
9 material interest, including a financial or personal interest in the
10 outcome of the arbitration proceeding, or a known, existing or past
11 relationship with any of the parties to the agreement to arbitrate or
12 the arbitration proceeding, their counsel or representatives, a witness,
13 or another arbitrator.

14 (c) "Employment" means a relationship between an employer and an
15 employee as defined in section three of the Fair Labor Standards Act of
16 1938 (29 U.S.C. § 203).

17 (d) "Consumer" means a natural person residing in this state.

18 (e) "Consumer goods" means goods, wares, paid merchandise or services
19 purchased or paid for by a consumer, the intended use or benefit of
20 which is intended for the personal, family or household purposes of such
21 consumer.

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

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

LBD07891-02-5

1 § 7501. Effect of arbitration agreement. A written agreement to
2 submit any controversy thereafter arising or any existing controversy to
3 arbitration is enforceable without regard to the justiciable character
4 of the controversy and confers jurisdiction on the courts of the state
5 to enforce it and to enter judgment on an award; provided, however, that
6 any portion of an agreement or contract requiring the controversy
7 concerning employment or the providing of consumer goods be submitted to
8 an arbitrator or arbitration organization that is not a neutral third
9 party arbitrator, shall be deemed void. The requirement that the
10 controversy be heard by a neutral third party arbitrator may not be
11 waived by a party prior to the service on such party of a demand for
12 arbitration. Upon disclosure pursuant to section seventy-five hundred
13 five-a of this article, a party shall be deemed to have waived any
14 objection to the arbitrator or composition of any arbitration panel, by
15 failing to raise same prior to the commencement of the arbitration hear-
16 ing. In determining any matter arising under this article, the court
17 shall not consider whether the claim with respect to which arbitration
18 is sought is tenable, or otherwise pass upon the merits of the dispute.

19 Arbitration of any employment or consumer dispute shall be conducted
20 by a neutral third party arbitrator. Appointment of any arbitrator
21 shall reasonably ensure the personal objectivity of the arbitrator and
22 the right of each party to present its case, to be in attendance during
23 any presentation made by the other party and to rebut or refute such
24 presentation.

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

27 § 7505-a. Disclosure by arbitrator. (a) Before accepting appointment,
28 an individual who is requested to serve as an arbitrator, after making a
29 reasonable inquiry, shall disclose to all parties to the agreement to
30 arbitrate and the arbitration proceeding, and to any other arbitrators
31 any known facts that a reasonable person would consider likely to affect
32 the impartiality of the arbitrator in the arbitration proceeding,
33 including:

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

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

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

44 (c) If an arbitrator discloses a fact required by subdivision (a) or
45 (b) of this section and a party timely objects to the appointment or
46 continued service of the arbitrator based upon the fact disclosed, the
47 objection may be a ground for vacating an award made by the arbitrator.

48 (d) If the arbitrator did not disclose a fact as required by subdivi-
49 sion (a) or (b) of this section, upon timely objection by a party, the
50 court may vacate an award based on such non-disclosure.

51 (e) An arbitrator appointed as a neutral arbitrator who does not
52 disclose a known, direct and material interest in the outcome of the
53 arbitration proceeding or a known, existing and substantial relationship
54 with a party is presumed to act with evident partiality in rendering an
55 award.

1 § 4. Section 7506 of the civil practice law and rules is amended to
2 read as follows:

3 § 7506. Hearing. (a) Oath of arbitrator. Before hearing any testimony,
4 an arbitrator shall be sworn to hear and decide the controversy faith-
5 fully and fairly by an officer authorized to administer an oath.

6 (b) Time and place. The arbitrator shall appoint a time and place for
7 the hearing and notify the parties in writing personally or by regis-
8 tered or certified mail not less than eight days before the hearing. The
9 arbitrator may adjourn or postpone the hearing. The court, upon applica-
10 tion of any party, may direct the arbitrator to proceed promptly with
11 the hearing and determination of the controversy.

12 (c) Evidence. The parties are entitled to be heard, to present
13 evidence and to cross-examine witnesses. Notwithstanding the failure of
14 a party duly notified to appear, the arbitrator may hear and determine
15 the controversy upon the evidence produced.

16 (d) Postponements and adjournments. The arbitrator may for good cause
17 postpone or adjourn the hearing upon request of a party or upon the
18 arbitrator's own initiative. If a party to an arbitration intends to
19 present testimony from a witness at the hearing, absent good cause
20 shown, the identity of the witness must be given to all parties at least
21 seven calendar days prior to the hearing.

22 (e) Representation by attorney. A party has the right to be repres-
23 ented by an attorney and may claim such right at any time as to any part
24 of the arbitration or hearings which have not taken place. This right
25 may not be waived. If a party is represented by an attorney, papers to
26 be served on the party shall be served upon [~~his~~] the party's attorney.
27 It shall be discretionary with the arbitrator to permit the attendance
28 of any other persons.

29 [~~(e)~~] (f) Determination by majority. The hearing shall be conducted by
30 all the arbitrators, but a majority may determine any question and
31 render an award.

32 [~~(f)~~] (g) Waiver. Except as provided in subdivision [~~(d)~~](e), a
33 requirement of this section may be waived by written consent of the
34 parties and it is waived if the parties continue with the arbitration
35 without objection.

36 § 5. Section 7507 of the civil practice law and rules, as amended by
37 chapter 952 of the laws of 1981, is amended to read as follows:

38 § 7507. Award; form; time; delivery. (a) Except as provided in
39 section 7508, the award shall be in writing, signed and affirmed by the
40 arbitrator making it within the time fixed by the agreement, or, if the
41 time is not fixed, within such time as the court orders.

42 (b) In a matter involving a consumer arbitration or an arbitration
43 between an employer and an employee, as defined in section three of the
44 Fair Labor Standards Act of 1938 (29 U.S.C. § 203), where arbitration
45 was held pursuant to a contract, the award shall state the issues in
46 dispute and shall contain the arbitrator's findings of fact and conclu-
47 sions of law. The award shall contain a decision on all issues submitted
48 to the arbitrator.

49 (c) The parties may in writing extend the time either before or after
50 its expiration. A party waives the objection that an award was not made
51 within the time required unless [~~he~~] the party notifies the arbitrator
52 in writing of [~~his~~] the party's objection prior to the delivery of the
53 award [~~to him~~].

54 (d) The arbitrator shall deliver a copy of the award to each party in
55 the manner provided in the agreement, or, if no provision is so made,
56 personally or by registered or certified mail, return receipt requested.

1 § 6. Subparagraph (iv) of paragraph 1 of subdivision (b) of section
2 7511 of the civil practice law and rules is amended and a new subpara-
3 graph (v) is added to read as follows:

4 (iv) failure to follow the procedure of this article, unless the party
5 applying to vacate the award continued with the arbitration with notice
6 of the defect and without objection[-]; or

7 (v) the arbitrator evidenced a manifest disregard of the law in
8 rendering the award.

9 § 7. The civil practice law and rules is amended by adding two new
10 sections 7517 and 7518 to read as follows:

11 § 7517. Prohibited predispute arbitration agreements. (a) Defi-
12 nitions. (i) The term "consumer dispute" means a dispute between an
13 individual who seeks or acquires real or personal property, services
14 (including services relating to securities and other investments),
15 money, or credit for personal, family or household purposes and the
16 seller or provider of such property, services, money or credit.

17 (ii) The term "employment dispute" means a dispute between an employer
18 and employee arising out of the relationship of employer and employee as
19 defined in section three of the Fair Labor Standards Act of 1938 (29
20 U.S.C. § 203).

21 (iii) The term "predispute arbitration agreement" means any agreement
22 to arbitrate a dispute that had not yet arisen at the time of the making
23 of the agreement.

24 (b) Prohibition. Notwithstanding any other provision of this article,
25 no predispute arbitration agreement shall be valid or enforceable if it
26 requires arbitration of an employment dispute or consumer dispute.

27 § 7518. Prohibited provisions. (a) Prohibition of effect of certain
28 arbitration clauses or agreements. Mandatory arbitration clauses or
29 agreements covering consumers and employees are contrary to the estab-
30 lished public policy of this state. Because employees and consumers are
31 forced to assent to these agreements as a condition of being an employee
32 or consumer before any dispute has arisen with the employer or merchant,
33 these agreements do not offer employees and consumers a meaningful
34 choice about how to resolve their disputes with the employer or
35 merchant. In addition, mandatory arbitration agreements prevent employ-
36 ees and consumers from effectively vindicating their rights under state
37 law. For these reasons, except when inconsistent with federal law, the
38 state prohibits the formation and enforcement of mandatory arbitration
39 agreements in employment and consumer contracts.

40 (b) Prohibition of arbitration clauses in employment contracts for
41 workers exempted from the Federal Arbitration Act. A mandatory arbi-
42 tration agreement within or part of any written contract of employment
43 of seamen, railroad employees or any other class of workers engaged in
44 foreign or interstate commerce is unenforceable and void. Any such arbi-
45 tration agreement shall be considered severable, and all other
46 provisions of the employment contract shall remain in effect and given
47 full force.

48 (c) Prohibition of arbitration clauses that are not governed by feder-
49 al law. Any mandatory arbitration agreement, or portion thereof, in an
50 employment or consumer contract is invalid, unenforceable and void, when
51 the enforceability of such arbitration agreement, or the portion at
52 issue, is governed by state law. Any such arbitration agreement shall be
53 considered severable, and all other provisions of the employment
54 contract shall remain in effect and given full force.

1 (d) Exclusion. The provisions of this section shall not apply to
2 agreements negotiated with any labor union through collective bargain-
3 ing.

4 § 8. Enforcement. Any private person and any enforcement agency or
5 official responsible for enforcing the provisions of this act may bring
6 suit for injunctive relief against an entity that violates such
7 provisions, and may recover reasonable attorney fees and other costs if
8 an injunction or equivalent relief is awarded. Injunctive relief shall
9 be the only relief available in a suit arising from failure to comply
10 with this act.

11 § 9. Severability. If any provision of this act or the application
12 thereof to any person or circumstance is held invalid, such invalidity
13 shall not affect other provisions or applications of this act that can
14 be given effect without the invalid provision or application, and to
15 that end the provisions of this act are declared to be severable.

16 § 10. This act shall take effect on the first of January next succeed-
17 ing the date on which it shall have become a law.