

# STATE OF NEW YORK

9791

## IN SENATE

April 6, 2026

Introduced by Sen. SEPULVEDA -- read twice and ordered printed, and when printed to be committed to the Committee on Judiciary

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:

24 § 7501. Effect of arbitration agreement. A written agreement to  
25 submit any controversy thereafter arising or any existing controversy to  
26 arbitration is enforceable without regard to the justiciable character  
27 of the controversy and confers jurisdiction on the courts of the state  
28 to enforce it and to enter judgment on an award; provided, however, that

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

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1 any portion of an agreement or contract requiring the controversy  
2 concerning employment or the providing of consumer goods be submitted to  
3 an arbitrator or arbitration organization that is not a neutral third  
4 party arbitrator, shall be deemed void. The requirement that the  
5 controversy be heard by a neutral third party arbitrator may not be  
6 waived by a party prior to the service on such party of a demand for  
7 arbitration. Upon disclosure pursuant to section seventy-five hundred  
8 five-a of this article, a party shall be deemed to have waived any  
9 objection to the arbitrator or composition of any arbitration panel, by  
10 failing to raise same prior to the commencement of the arbitration hear-  
11 ing. In determining any matter arising under this article, the court  
12 shall not consider whether the claim with respect to which arbitration  
13 is sought is tenable, or otherwise pass upon the merits of the dispute.

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

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

22 § 7505-a. Disclosure by arbitrator. (a) Before accepting appointment,  
23 an individual who is requested to serve as an arbitrator, after making a  
24 reasonable inquiry, shall disclose to all parties to the agreement to  
25 arbitrate and the arbitration proceeding, and to any other arbitrators  
26 any known facts that a reasonable person would consider likely to affect  
27 the impartiality of the arbitrator in the arbitration proceeding,  
28 including:

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

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

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

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

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

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

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

53 § 7506. Hearing. (a) Oath of arbitrator. Before hearing any testimony,  
54 an arbitrator shall be sworn to hear and decide the controversy faith-  
55 fully and fairly by an officer authorized to administer an oath.

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

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

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

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

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

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

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

33 § 7507. Award; form; time; delivery. (a) Except as provided in  
34 section 7508, the award shall be in writing, signed and affirmed by the  
35 arbitrator making it within the time fixed by the agreement, or, if the  
36 time is not fixed, within such time as the court orders.

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

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

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

52 § 6. Subparagraph (iv) of paragraph 1 of subdivision (b) of section  
53 7511 of the civil practice law and rules is amended and a new subpara-  
54 graph (v) is added to read as follows:

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

4 (v) the arbitrator evidenced a manifest disregard of the law in  
5 rendering the award.

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

8 § 7517. Prohibited predispute arbitration agreements. (a) Defi-  
9 nitions. (i) The term "consumer dispute" means a dispute between an  
10 individual who seeks or acquires real or personal property, services  
11 (including services relating to securities and other investments),  
12 money, or credit for personal, family or household purposes and the  
13 seller or provider of such property, services, money or credit.

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

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

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

24 § 7518. Prohibited provisions. (a) Prohibition of effect of certain  
25 arbitration clauses or agreements. Mandatory arbitration clauses or  
26 agreements covering consumers and employees are contrary to the estab-  
27 lished public policy of this state. Because employees and consumers are  
28 forced to assent to these agreements as a condition of being an employee  
29 or consumer before any dispute has arisen with the employer or merchant,  
30 these agreements do not offer employees and consumers a meaningful  
31 choice about how to resolve their disputes with the employer or  
32 merchant. In addition, mandatory arbitration agreements prevent employ-  
33 ees and consumers from effectively vindicating their rights under state  
34 law. For these reasons, except when inconsistent with federal law, the  
35 state prohibits the formation and enforcement of mandatory arbitration  
36 agreements in employment and consumer contracts.

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

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

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

55 § 8. Enforcement. Any private person and any enforcement agency or  
56 official responsible for enforcing the provisions of this act may bring

1 suit for injunctive relief against an entity that violates such  
2 provisions, and may recover reasonable attorney fees and other costs if  
3 an injunction or equivalent relief is awarded. Injunctive relief shall  
4 be the only relief available in a suit arising from failure to comply  
5 with this act.

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

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