



# City of Chicago



O2015-8190

Office of the City Clerk

## Document Tracking Sheet

<b>Meeting Date:</b>	11/18/2015
<b>Sponsor(s):</b>	Burke (14)
<b>Type:</b>	Ordinance
<b>Title:</b>	Amendment of Municipal Code Chapter 1-23 concerning pre-dispute arbitration agreements
<b>Committee(s) Assignment:</b>	Committee on Finance

## **ORDINANCE**

**WHEREAS**, The City of Chicago is a home rule unit of government pursuant to the 1970 Illinois Constitution, Article VII, Section 6 (a); and

**WHEREAS**, Pursuant to its home rule power, the City of Chicago may exercise any power and perform any function relating to its government and affairs including the power to regulate for the protection of the public health, safety, morals, and welfare; and

**WHEREAS**, Over the last 10 years, thousands of businesses across the country have used mandatory arbitration to create an alternative system of justice; and

**WHEREAS**, Mandatory arbitration clauses are terms included in contractions of adhesion that often require a consumer or employee to give up his constitutional right to assert claims against the merchant or employer in a court of law as a condition of obtaining or keeping his job or using the consumer good or service; and

**WHEREAS**, By inserting mandatory arbitration clauses into consumer and employment contracts, companies bar individuals from having their day in court and joining together in class-action lawsuits; and

**WHEREAS**, Forced mandatory arbitration clauses are destroying a core American principle; and

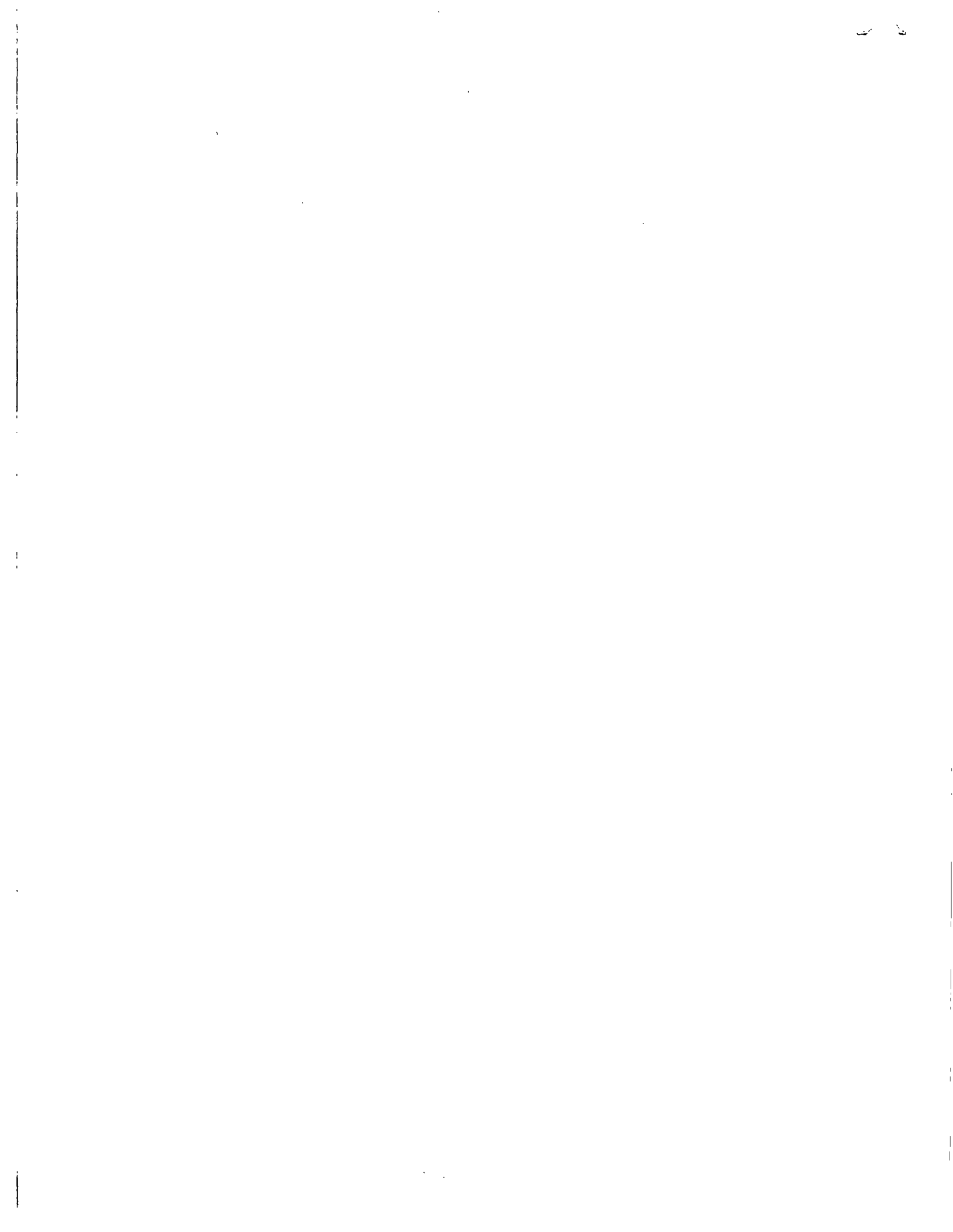
**WHEREAS**, The Federal Arbitration Act was intended to apply to disputes between commercial entities of generally similar sophistication and bargaining power; and

**WHEREAS**, The Supreme Court of the United States has held that the Federal Arbitration Act prevents state laws from invalidating class action waivers in arbitration agreements, thus permitting arbitration agreements to extend to consumer disputes and employment disputes; and

**WHEREAS**, A recent series in *The New York Times* found that by banning class actions, companies have essentially disabled consumer challenges to practices like predatory lending, wage theft, and discrimination; and

**WHEREAS**, Companies have also shielded themselves from being taken to court over alleged discrimination, elder abuse, fraud, hate crimes, medical malpractice, and wrongful death; and

**WHEREAS**, The secretive nature of the arbitration process makes it difficult to evaluate the fairness of the proceedings; and



**WHEREAS**, A 2007 Public Citizen report claimed that arbitrators working for the National Arbitration Forum, at the time one of the largest U.S. administrators of consumer arbitrations, had ruled against consumers 94 percent of the time; and

**WHEREAS**, In 2014 Illinois Attorney General Lisa Madigan joined attorneys general from 15 other states in warning the Consumer Financial Protection Bureau that “unlawful business practices” could flourish with the proliferation of class action bans; and

**WHEREAS**, The City of Chicago intends to spend its funds in the most efficient manner possible; and

**WHEREAS**, The secret nature of mandatory arbitration agreements between entities doing business with the city and their consumers or employees undermines the efficient management of the city; and

**WHEREAS**, Doing business with entities that impose mandatory arbitration agreements in consumer and employment contracts prevents the city from knowing whether the goods or services provided by said entities are the subject of consumer grievances concerning the quality of the goods or services or whether the entities’ employees have claims of unfair and illegal treatment that might affect the quality of the goods or services; and

**WHEREAS**, The City Council of the City of Chicago intends to protect the city’s procurement process by ensuring that it has access to accurate information about any legal claims asserted by employees or consumers against entities seeking to do business with the city; NOW THEREFORE

**BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CHICAGO:**

**SECTION 1.** The above recitals are expressly incorporated herein and made part hereof as though fully set forth herein.

**SECTION 2.** Chapter 1-23 of the Municipal Code of Chicago is hereby amended by deleting the language stricken through and adding the language underscored as follows:

**1-23-010 Definitions.**

As used in this article:

*(omitted text is unaffected by this ordinance)*

“Affiliate” has the meaning ascribed to the term in section 2-32-455.

“Consumer dispute” means a dispute between a natural person who seeks or acquires real or personal property, services, money, or credit for personal, family, or household purposes and the seller or provider of such property, services, money, or credit.

“Employment dispute” means a dispute between an employer and employee arising out of the relationship of employer and employee as defined by the Fair Labor Standards Act.

“Natural person” means any natural individual in his or her own capacity or as administrator, conservator, guardian, executive, trustee, receiver or other representative appointed by the court.

“Pre-dispute arbitration agreement” means any agreement to arbitrate disputes that had not arisen at the time of the making of the agreement.

*(omitted text is unaffected by this ordinance)*

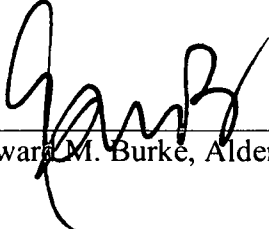
**1-23-025      Pre-dispute arbitration agreement – prohibited.**

No business entity shall be eligible to do business with the city if such business entity or any of its affiliates enters into any pre-dispute arbitration agreement with any natural person after the effective date of this ordinance that requires arbitration of an employment or consumer dispute or a dispute arising under any law intended to protect civil rights.

**1-23-030      Duty to maintain eligibility to do business with the city.**

Eligibility under Sections 1-23-020 and 1-23-025 to do business with the city shall be a continuing requirement for doing business with the city.

**SECTION 3.** This ordinance shall be in full force and effect 60 days after its passage and publication.

  
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Edward M. Burke, Alderman, 14<sup>th</sup> Ward