

CONSUMER

# Consumer-Related Disputes

## Supplementary Procedures



AMERICAN ARBITRATION ASSOCIATION®

Available online at [adr.org/consumer](http://adr.org/consumer)

Rules Effective September 15, 2005

Fees Effective March 1, 2013

# Table of Contents

Consumer-Related Disputes Supplementary Procedures .....	4
Introduction .....	4
About the AAA .....	4
The AAA's Consumer Rules .....	4
Availability of Mediation .....	5
Administrative Fees .....	5
Arbitrator's Fees .....	5
Glossary of Terms .....	6
Claimant .....	6
Respondent .....	6
ADR Process .....	6
Arbitration .....	6
Desk Arbitration .....	6
Telephone Hearing .....	6
In Person Hearing .....	7
Mediation .....	7
Neutral .....	7
Case Manager .....	7
ADR Agreement .....	7
ADR Program .....	7
Independent ADR Institution .....	7
Supplementary Procedures for the Resolution of Consumer-Related Disputes ..	8
C-1. Agreement of Parties and Applicability .....	8
C-2. Initiation Under an Arbitration Agreement .....	8
C-3. Initiation Under a Submission .....	9
C-4. Appointment of Arbitrator .....	9
C-5. Proceedings on Documents ("Desk Arbitration") .....	10
C-6. Expedited Hearing Procedures .....	10
C-7. The Award .....	10
C-8. Administrative Fees and Arbitrator Fees .....	11

Costs of Arbitration (including AAA Administrative Fees)\* ..... 12

- (i) Filing Fees ..... 12
- (ii) Neutral Arbitrator’s Compensation ..... 13
- (iii) Refund Schedule ..... 13
- (iv) Hearing Fees ..... 13
- (v) Hearing Room Rental ..... 13
- (vi) Abeyance Fee ..... 13
- (vii) Expenses ..... 14

# Consumer-Related Disputes Supplementary Procedures



## Introduction

Millions of consumer purchases take place each year. Occasionally, these transactions lead to disagreements between consumers and businesses. These disputes can be resolved by arbitration. Arbitration is usually faster and cheaper than going to court. The AAA<sup>®</sup> applies the Supplementary Procedures for Consumer-Related Disputes to arbitration clauses in agreements between individual consumers and businesses where the business has a standardized, systematic application of arbitration clauses with customers and where the terms and conditions of the purchase of standardized, consumable goods or services are non-negotiable or primarily non-negotiable in most or all of its terms, conditions, features, or choices. The product or service must be for personal or household use. The AAA will have the discretion to apply or not to apply the Supplementary Procedures and the parties will be able to bring any disputes concerning the application or non-application to the attention of the arbitrator. Consumers are not prohibited from seeking relief in a small claims court for disputes or claims within the scope of its jurisdiction, even in consumer arbitration cases filed by the business.

## About the AAA

The American Arbitration Association<sup>®</sup> (AAA) is a not-for-profit, private organization. We offer a broad range of conflict management services to businesses, organizations and individuals. We also provide education, training and publications focused on ways of settling disputes out of court.

## The AAA's Consumer Rules

The AAA has developed the Supplementary Procedures for Consumer-Related Disputes for consumers and businesses that want to have their disagreements resolved by arbitrators. People throughout the world can make use of our services.

## Availability of Mediation

Mediation is also available to help parties resolve their disputes. Mediations are handled under AAA's Commercial Mediation Procedures.

## Administrative Fees

The Association charges a fee for its services under these rules. The costs to the consumer and business depend on the type of hearing and number of arbitrators used. A fee schedule is included at the end of this Supplement.

## Arbitrator's Fees

Arbitrators get paid for the time they spend resolving disputes. The arbitrator's fee depends on the type of proceeding that is used and the time it takes. The business makes deposits as outlined in the fee schedule at the end of this Supplement. Unused deposits are refunded at the end of the case.

## Glossary of Terms

### Claimant

A Claimant is the party who files the claim or starts the arbitration. Either the consumer or the business may be the Claimant.

### Respondent

A Respondent is the party against whom the claim is filed. If a Respondent states a claim in arbitration, it is called a counterclaim. Either the consumer or the business may be the Respondent.

### ADR Process

An ADR (Alternative Dispute Resolution) Process is a method of resolving a dispute out of court. Mediation and Arbitration are the most widely used ADR processes.

### Arbitration

In arbitration, the parties submit disputes to an impartial person (the arbitrator) for a decision. Each party can present evidence to the arbitrator. Arbitrators do not have to follow the Rules of Evidence used in court. Arbitrators decide cases with written decisions or "awards." An award is usually binding on the parties. A court may enforce an arbitration award, but the court's review of arbitration awards is limited.

### Desk Arbitration

In a Desk Arbitration, the parties submit their arguments and evidence to the arbitrator in writing. The arbitrator then makes an award based only on the documents. No hearing is held.

### Telephone Hearing

In a Telephone Hearing, the parties have the opportunity to tell the arbitrator about their case during a conference call. Often this is done after the parties have sent in documents for the arbitrator to review. A Telephone Hearing can be easier than an In Person Hearing.

## In Person Hearing

During an In Person Hearing, the parties and the arbitrator meet in a conference room or office and the parties present their evidence in a process that is similar to going to court. However, an In Person Hearing is not as formal as going to court.

## Mediation

In Mediation, an impartial person (the mediator) helps the parties try to settle their dispute by reaching an agreement together. A mediator's role is to help the parties come to an agreement. A mediator does not arbitrate or decide the outcome.

## Neutral

A Neutral is a word that is used to describe someone who is a mediator, arbitrator, or other independent, impartial person selected to serve as the independent third party in an ADR process.

## Case Manager

The Case Manager is the AAA's employee assigned to handle the administrative aspects of the case. He or she does not decide the case. He or she only manages the case's administrative steps, such as exchanging documents, matching schedules, and setting up hearings. The Case Manager is the parties' contact point for almost all aspects of the case outside of any hearings.

## ADR Agreement

An ADR Agreement is an agreement between a business and a consumer to submit disputes to mediation, arbitration, or other ADR processes.

## ADR Program

An ADR Program is any program or service set up or used by a business to resolve disputes out of court.

## Independent ADR Institution

An Independent ADR Institution is an organization that provides independent and impartial administration of ADR programs for consumers and businesses. The American Arbitration Association is an Independent ADR Institution.

# Supplementary Procedures for the Resolution of Consumer-Related Disputes

## C-1. Agreement of Parties and Applicability

- (a) The Commercial Dispute Resolution Procedures and these Supplementary Procedures for Consumer-Related Disputes shall apply whenever the American Arbitration Association (AAA) or its rules are used in an agreement between a consumer and a business where the business has a standardized, systematic application of arbitration clauses with customers and where the terms and conditions of the purchase of standardized, consumable goods or services are non-negotiable or primarily non-negotiable in most or all of its terms, conditions, features, or choices. The product or service must be for personal or household use. The AAA will have the discretion to apply or not to apply the Supplementary Procedures and the parties will be able to bring any disputes concerning the application or non-application to the attention of the arbitrator. The AAA's most current rules will be used when the arbitration is started. If there is a difference between the Commercial Dispute Resolution Procedures and the Supplementary Procedures, the Supplementary Procedures will be used. The Commercial Dispute Resolution Procedures may be found on our Web site. They may also be obtained from the Case Manager.
- (b) The Expedited Procedures will be used unless there are three arbitrators. In such cases, the Commercial Dispute Resolution Procedures shall apply.
- (c) The AAA may substitute another set of rules, such as the Real Estate or the Wireless Industry Arbitration Rules, for the Commercial Dispute Resolution Procedures in some cases.
- (d) Parties can still take their claims to a small claims court.

## C-2. Initiation Under an Arbitration Agreement

- (a) The filing party (the "claimant") must notify the other party (the "respondent"), in writing, that it wishes to arbitrate a dispute. This notification is referred to as the "demand" for arbitration. The demand should:
  - ' briefly explain the dispute,
  - ' list the names and addresses of the consumer and the business,
  - ' specify the amount of money involved,
  - ' state what the claimant wants.

The claimant must also send two copies of the demand to the AAA at the time it sends the demand to the respondent. When sending a demand to the AAA, the claimant must attach a copy of the arbitration agreement from the consumer contract with the business. The claimant must also send the appropriate administrative fees and deposits. A fee schedule can be found in Section C-8 at the end of this Supplement.



- (b) The AAA shall confirm receipt of the demand to the parties.
- (c) The respondent may answer the demand and may also file a counterclaim. The answer must be sent to the AAA within ten calendar days after the AAA acknowledges receipt of claimant's demand. The answer must:
  - ' be in writing,
  - ' be sent, in duplicate, to the AAA,
  - ' be sent to the claimant at the same time.
  - ' If the respondent has a counterclaim, it must state the nature of the counterclaim, the amount involved, and the remedy sought.
- (d) If no answer is filed within the stated time, the AAA will assume that the respondent denies the claim.
- (e) The respondent must also send the appropriate administrative fees and deposits. A fee schedule can be found in Section C-8 at the end of this Supplement. Payment is due ten calendar days after the AAA acknowledges receipt of claimant's demand.

### C-3. Initiation Under a Submission

Where no agreement to arbitrate exists in the contract between the consumer and the business, the parties may agree to arbitrate a dispute. To begin arbitration, the parties must send the AAA a submission agreement. The submission agreement must:

- ' be in writing,
- ' be signed by both parties,
- ' briefly explain the dispute,
- ' list the names and addresses of the consumer and the business,
- ' specify the amount of money involved,
- ' state the solution sought.

The parties should send two copies of the submission to the AAA. They must also send the administrative fees and deposits. A fee schedule can be found in Section C-8 at the end of this Supplement.

### C-4. Appointment of Arbitrator

Immediately after the filing of the submission or the answer, or after the deadline for filing the answer, the AAA will appoint an arbitrator. The parties will have seven calendar days from the time the AAA notifies them, to submit any factual objections to that arbitrator's service.

### C-5. Proceedings on Documents (“Desk Arbitration”)

Where no claims or counterclaims exceed \$10,000, the dispute shall be resolved by the submission of documents. Any party, however, may ask for a hearing. The arbitrator may also decide that a hearing is necessary.

The arbitrator will establish a fair process for submitting the documents. Documents must be sent to the AAA. These will be forwarded to the arbitrator.

### C-6. Expedited Hearing Procedures

A party may request that the arbitrator hold a hearing. This hearing may be by telephone or in person. The hearing may occur even if the other party does not attend. A request for a hearing should be made in writing within ten calendar days after the AAA acknowledges receipt of a claimant’s demand for arbitration. Requests received after that date will be allowed at the discretion of the arbitrator.

In a case where any party’s claim exceeds \$10,000, the arbitrator will conduct a hearing unless the parties agree not to have one.

Any hearings will be conducted in accordance with the Expedited Procedures of the Commercial Dispute Resolution Procedures. These procedures may be found on our Web site. They may also be obtained from the Case Manager.

### C-7. The Award

- (a) Unless the parties agree otherwise, the arbitrator must make his or her award within fourteen calendar days from the date of the closing of the hearing. For Desk Arbitrations, the arbitrator has fourteen calendar days from when the AAA sends the final documents to the arbitrator.
- (b) Awards shall be in writing and shall be executed as required by law.
- (c) In the award, the arbitrator should apply any identified pertinent contract terms, statutes, and legal precedents. The arbitrator may grant any remedy, relief or outcome that the parties could have received in court. The award shall be final and binding. The award is subject to review in accordance with applicable statutes governing arbitration awards.

## C-8. Administrative Fees and Arbitrator Fees

Administrative fees and arbitrator compensation deposits are due from the claimant at the time a case is filed. They are due from the respondent at the time the answer is due. The amounts paid by the consumer and the business are set forth below.

## Costs of Arbitration (including AAA Administrative Fees)\*

Arbitrator compensation is not included as part of the administrative fees charged by the AAA. Arbitrator compensation is based on a rate established by the AAA set forth below. Once the Preliminary Hearing (see R-21 of the Commercial Arbitration Rules) is held by the arbitrator, the arbitrator is entitled to one half the arbitration compensation rate for a full hearing day/or a documents-only hearing. The business shall pay the arbitrator's compensation unless the consumer, post dispute, voluntarily elects to pay a portion of the arbitrator's compensation. Arbitrator compensation, expenses as defined in sections (v) and (vii) below, and administrative fees (which include Filing and Hearing Fees) are not subject to reallocation by the arbitrator(s) except pursuant to applicable law or upon the arbitrator's determination that a claim or counterclaim was filed for purposes of harassment or is patently frivolous.

\* Pursuant to Section 1284.3 of the California Code of Civil Procedure, consumers with a gross monthly income of less than 300% of the federal poverty guidelines are entitled to a waiver of arbitration fees and costs, exclusive of arbitrator fees. This law applies to all consumer agreements subject to the California Arbitration Act, and to all consumer arbitrations conducted in California. If you believe that you meet these requirements, you must submit to the AAA a declaration under oath regarding your monthly income and the number of persons in your household. Please contact the AAA at 1-800-778-7879, if you have any questions regarding the waiver of administrative fees. (Effective January 1, 2003)

### (i) Filing Fees

In cases before a single arbitrator, a nonrefundable filing fee capped in the amount of \$200 is payable in full by the consumer when a claim is filed, unless the parties' agreement provides that the consumer pay less. A partially refundable fee in the amount of \$1,500 is payable in full by the business, unless the parties' agreement provides that the business pay more. This fee is due from the business once the consumer has met the filing requirements.

In cases before three or more arbitrators, a nonrefundable filing fee capped in the amount of \$200 is payable in full by the consumer when a claim is filed, unless the parties' agreement provides that the consumer pay less. A partially refundable fee in the amount of \$2,000 is payable in full by the business, unless the parties' agreement provides that the business pay more. This fee is due from the business once the consumer has met the filing requirements.

There shall be no filing fee charged for a counterclaim.

## (ii) Neutral Arbitrator's Compensation

Arbitrators serving on a case with an in-person or telephonic hearing will receive compensation at a rate of **\$1500 per day**.

Arbitrators serving on a case with a desk arbitration/documents-only hearing will receive compensation at a rate of **\$750 per case**.

## (iii) Refund Schedule

Once the claimant has met the filing requirements, refunds to the business will be calculated as follows:

- if the case is settled or withdrawn within 30 calendar days, 50% of the filing fee will be refunded to the business.

However, no refund will be made once an arbitrator has been appointed and no refunds will be made on awarded cases. The date the claimant's filing requirements are met is the date used to calculate any refund of filing fees. If the matter is settled or withdrawn prior to receipt of filing fees from the business, the AAA will bill the business in accordance with this refund schedule.

## (iv) Hearing Fees

For telephonic hearings or in-person hearings held, an additional administrative fee of \$500 is payable by the business.

There is no AAA hearing fee for the initial Administrative Conference (see R-10 of the Commercial Arbitration Rules).

## (v) Hearing Room Rental

The hearing fees described above do not cover the rental of hearing rooms. The AAA maintains rental hearing rooms in most offices for the convenience of the parties. Check with the administrator for availability and rates. Hearing room rental fees will be borne by the business.

## (vi) Abeyance Fee

Parties on cases held as inactive for one year will be assessed an annual abeyance fee of \$300. If a party refuses to pay the assessed fee, the opposing party or parties may pay the entire fee on behalf of all parties, otherwise the

matter will be administratively closed. All filing requirements, including payment of filing fees, must be met before a matter may be placed in abeyance.

(vii) Expenses

All expenses of the arbitrator, including required travel and other expenses, and any AAA expenses, as well as the costs relating to proof and witnesses produced at the direction of the arbitrator, shall be borne by the business.

<b>PARTIES</b>	<b>DESK ARBITRATION</b>	<b>IN-PERSON OR TELEPHONIC HEARING – SINGLE ARBITRATOR</b>	<b>IN-PERSON OR TELEPHONIC HEARING – THREE OR MORE ARBITRATORS</b>
Consumer	Filing Fee - \$200	Filing Fee - \$200	Filing Fee - \$200
Business	Filing Fee - \$1500 Arbitrator Compensation - \$750 per case	Filing Fee - \$1500 Hearing Fee - \$500 Arbitrator Compensation - \$1500 per hearing day	Filing Fee - \$2000 Hearing Fee - \$500 Arbitrator Compensation - \$1500 per hearing day per arbitrator

