Arbitration Provisions in the Automotive Industry

Brach Eichler successfully dismisses a consumer class action lawsuit by having an industry-wide arbitration clause upheld in the Appellate Court.

The automobile industry is fraught with consumer-based complaints. Many of these complaints are not really complaints, but a consumer's misunderstanding of the contract he or she signed. Some of these complaints land in the hands of class-action law firms that pursue claims that can otherwise be resolved quickly and efficiently by a few phone calls or by arbitration. Most of the purchase documents in the automobile industry contain an arbitration provision. However, these arbitration provisions have been strictly construed and challenged by many consumer class-action-based law firms. Typically, when a claim is filed, the automobile dealer should seek to send that claim to arbitration quickly and expeditiously where there is no jury and little likelihood of a claimant or "class" obtaining treble damages on a consumer fraud claim.

Recently, Rose Suriano, Esq., a partner at Brach Eichler, who represents several automobile dealerships, successfully challenged a trial court's insistence on avoiding an arbitration provision that was in the purchase documents that got into the hands of a class-action law firm. The Appellate Division issued a decision reversing the trial court's ruling that an arbitration provision utilized by Brach Eichler's automobile dealership client was unenforceable. The decision was particularly notable in that two prior Appellate Courts construed the identical provision against the automobile dealership and found that because it was too ambiguous, and internally inconsistent and confusing, it was unenforceable and, therefore, the class-action matter could proceed before a jury.

On appeal, Rose Suriano was able to convince a three-member appellate panel that the arbitration clause was, in fact, internally consistent and not confusing and should be enforced, sending the matter to arbitration. The Appellate Division agreed to enforce the arbitration provision and the class-action lawsuit was sent to arbitration where, ultimately, it was not pursued by the class-action plaintiff, because he lost the ability to proceed before a jury trial and obtain treble damages and possibly even legal fees and costs.

The takeaway from Brach Eichler's uphill battle win is that a fresh look and a different approach can make all the difference to the outcome achieved. Brach Eichler can assist you in reviewing your purchase documents and arbitration provisions to better ensure that they will be enforced appropriately.

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