

105TH CONGRESS
2D SESSION

S. 2434

To amend chapter 1 of title 9, United States Code, to provide for greater fairness in the arbitration process relating to motor vehicle franchise contracts.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 2 (legislative day, AUGUST 31), 1998

Mr. GRASSLEY (for himself and Mr. FEINGOLD) introduced the following bill;
which was read twice and referred to the Committee on the Judiciary

A BILL

To amend chapter 1 of title 9, United States Code, to provide for greater fairness in the arbitration process relating to motor vehicle franchise contracts.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Motor Vehicle Fran-
5 chise Control Arbitration Fairness Act of 1998”.

6 **SEC. 2. ELECTION OF ARBITRATION.**

7 (a) SALES AND SERVICE CONTRACTS.—Chapter 1 of
8 title 9, United States Code, is amended by adding at the
9 end the following new section:

1 **“§ 17. Motor vehicle franchise contracts**

2 “(a) For purposes of this section, the term—

3 “(1) ‘motor vehicle’ has the meaning given such
4 term under section 30102(6) of title 49; and

5 “(2) ‘motor vehicle franchise contract’ means a
6 contract under which a motor vehicle manufacturer,
7 importer, or distributor sells motor vehicles to any
8 other person for resale to an ultimate purchaser and
9 authorizes such other person to repair and service
10 the manufacturer’s motor vehicle.

11 “(b) Whenever a motor vehicle franchise contract
12 provides for the use of arbitration to resolve a controversy
13 arising out of or relating to the contract, each party to
14 the contract shall have the option, after the controversy
15 arises and before both parties commence an arbitration
16 proceeding, to reject arbitration as the means of settling
17 the controversy. Any such rejection shall be in writing.

18 “(c) Whenever arbitration is elected to settle a dis-
19 pute under a motor vehicle franchise contract, the arbitra-
20 tor shall provide the parties to the contract with a written
21 explanation of the factual and legal basis for the award.”.

22 (b) TECHNICAL AND CONFORMING AMENDMENT.—
23 The table of sections for chapter 1 of title 9, United States
24 Code, is amended by adding at the end the following new
25 item:

“17. Motor vehicle franchise contracts.”.

1 **SEC. 3. EFFECTIVE DATE.**

2 The amendments made by section 2 shall apply to
3 contracts entered into, amended, altered, modified, re-
4 newed, or extended after the date of enactment of this Act.

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