

Arbitration

by Sophia Tutorial



WHAT'S COVERED

In a previous lesson, you learned that arbitration is one of the many conflict resolution methods. Like mediation, the arbitration process has several variants. This lesson will provide a more in-depth focus on the following:

1. Arbitration as a Conflict Resolution Process
2. Arbitration in Action

1. Arbitration as a Conflict Resolution Process

Arbitration is a conflict resolution process taking place outside of courts in which a neutral party decides the outcome of a dispute between two or more parties.

This decision is called an **award**, and it is legally binding and enforceable. If the neutral party deciding the award is just one person, this person is called an **arbiter**. If the decision-maker is several people, this group is referred to as an **arbitration tribunal**.

The arbiter or arbitration tribunal may be legal professionals, but this is not a requirement. They also don't necessarily have to be experts on the topic of the dispute.



TERMS TO KNOW

Arbitration

A conflict resolution process in which a neutral party decides the outcome of a dispute between two or more parties.

Award

The decision of an arbiter or arbitration tribunal in an arbitration.

Arbiter

The conflict resolver involved in an arbitration.

Arbitration Tribunal

A group of arbiters working together in an arbitration.

2. Arbitration in Action

A number of businesses, particularly in the United States, find that they like to use arbitration as a method of resolving conflicts.

For one, even if the dispute is very technical, the arbiter doesn't necessarily have to be technical. You can't choose an arbiter for their technical knowledge any more than you could choose a judge in a court system.

Businesses also tend to favor arbitration over the courts because arbitration is:

- Faster
- Cheaper
- More flexible
- Confidential

However, there have been some issues raised around the use of arbitration, such as with credit card companies that include arbitration as part of the transaction.

Difficulties can also arise in instances where one of the parties involved in the dispute learns that:

- They must give up the right to a court process at a later date.
- The arbiter has been chosen and paid for by the other party.

🔗 **EXAMPLE** When buying a used car, you might discover that the seller requires you to sign an arbitration agreement. When a problem comes up with the car, the issue is automatically turned over to an arbiter chosen by the car dealership; surprising no one, the arbiter rules in favor of the car dealership, and you have no option of going to court.



SUMMARY

In this lesson, you learned about **arbitration as a conflict resolution process** that takes place outside of the courts and involves either a single arbiter or a group of arbiters called an arbitration tribunal. You now understand what **arbitration looks like in action**, and that while arbitration is often faster and cheaper than the court system, issues can arise when there is the suggestion of bias or additional requirements surrounding the process. Good luck!

Source: Adapted from Sophia tutorial by Marlene Johnson.



TERMS TO KNOW

Arbiter

The conflict resolver involved in an arbitration.

Arbitration

A conflict resolution process in which a neutral party decides the outcome of a dispute between two or more parties.

Arbitration Tribunal

A group of arbiters working together in an arbitration.

Award

The decision of an arbiter or arbitration tribunal in an arbitration.