



Fair Arbitration Now

Forced arbitration stacks the deck against consumers and workers. It's time we even the scales.

March 19, 2014

Mr. Drew Houston Founder/CEO
Mr. Arash Ferdowsi, Founder /CTO
Dropbox, Inc.
PO Box 77767
San Francisco, CA 94107

Re: Dropbox's Update on Terms of Service

Dear Mr. Houston and Mr. Ferdowsi:

Our organizations were deeply disappointed to learn about Dropbox's updated "Terms of Service" that contains a pre-dispute binding ("forced") arbitration clause. The forced arbitration clause requires consumers with legal disputes with Dropbox to bring their claims before a private firm chosen by Dropbox instead of a public court.

In its late night email to Dropbox users last month, arbitration is described as "a quick and efficient way to resolve disputes," however; Dropbox failed to mention that forced arbitration is a private, secretive process that harms consumers. It guarantees none of the safeguards of our civil justice system for persons attempting to enforce their rights. Hired arbitrators do not have to comply with the law, and corporations have the benefit of being their "repeat" customers, leading to corporate bias. Further, there is no opportunity to appeal arbitration decisions, no matter how unfair or even unlawful. Over the years, we have witnessed this growing practice among corporations who have used these clauses to evade vital consumer protection, civil rights and employment laws. We hope you agree that it is in the public interest to ensure corporate accountability and compliance with state and federal laws.

Even more alarming is what is not mentioned in the email to Dropbox users, but instead located about three-quarters down a webpage full of legalese in the "Terms of Service." It states that "You may only resolve disputes with us on an individual basis." What that means is that consumer claims that could be brought by the more than 200 million Dropbox customers must be arbitrated individually and not as a part of a collective group, a method that is often impractical or too costly for consumers to pursue. As a result, Dropbox customers are banned from joining together with other customers who are similarly harmed to have their day in court.

Right now the Consumer Financial Protection Bureau ("CFPB") is examining this problem. On December 12, 2013, the CFPB publicized preliminary findings from its ongoing study on the use of arbitration clauses in consumer contracts. The CFPB study found that consumers do not file

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arbitrations for small-dollar disputes. Between 2010 and 2012, American consumers filed only 1250 arbitration complaints having to do with credit cards, payday loans, or checking accounts, even though hundreds of millions of Americans rely on these services every day and are very often aggrieved by their practices. This finding highlights the importance of class actions. Many class actions involve claims seeking recovery for small-dollar losses (e.g. illegal charges on credit card bills). The CFPB study demonstrates that the use of a forced arbitration clause and class-action ban in a contract can squash thousands of valid consumer claims and allow possible corporate misconduct to continue.

Finally, including an opt-out clause in the Terms of Service does not adequately protect Dropbox customers' rights. We know that most consumers do not actually read through the fine-print of contracts. We can assume that most Dropbox customers will not notice the opt-out term nor will they understand what forced arbitration really means. Therefore only a few consumers will take the affirmative step of opting out of this provision. And even if consumers do opt-out, the terms require that in order to resolve a dispute in court consumers must travel to San Francisco, which could be more costly than the actual dispute.

We strongly urge Dropbox to remove these provisions from its Terms of Service. Dropbox' reputation is of a consumer-friendly corporation that provides a simple and transparent service. A forced arbitration clause and ban on class actions are clearly inconsistent with Dropbox' stated values and purpose.

We have initiated a public petition requesting that Dropbox promptly remove these provisions from the Terms of Service. We urge you to end this practice immediately.

For more information, please contact Ellen Taverna at ellen@naca.net or at 202-452-1989 ext. 109.

Sincerely,

The Fair Arbitration Now Coalition

(To view a list of organizations and individuals that support ending the predatory practice of forced arbitration in consumer and non-bargaining employment contracts, please visit:

<http://www.fairarbitrationnow.org/content/coalition.>)