

Meeting

(32)

1/6/61

First Supplement to Memorandum No. 3(1961)

Subject: Study No. 32 - Arbitration

The following changes should be made in the recommendation relating to arbitration which was attached to Memorandum No. 3(1961) (yellow pages):

Page 13 - The second paragraph on this page should read:

Sections 1647.5 and 1700.45 of the Labor Code contain references to statutory provisions that will be repealed by the proposed legislation. These sections should be amended to delete these references and to indicate the relationship of the sections to the new arbitration statute.

Page 14 - In the second to the last line of the title of the bill, "Section 1647.5" should be deleted and "Sections 1647.5 and 1700.45" inserted.

Page 34 - Third line from bottom of page, after "9", insert "(commencing with Section 1280)".

Page 35 - Before Section 7 of the present statute, the following new Section 7 should be inserted and what is now Section 7 of the present statute should be designated as SEC. 8".

SEC. 7. Section 1700.45 of the Labor Code is amended to read:

Section 1700.45. Notwithstanding Section 1700.44 of the Labor Code [~~and Section 1280 of the Code of Civil Procedure~~], a provision in a contract providing for the decision by arbitration of any controversy under the contract or as to its existence, validity, construction, performance, nonperformance, breach, operation, continuance, or termination, shall be valid:

(a) If the provision is contained in a contract between an artists' manager and a person for whom such artists' manager

under the contract undertakes to endeavor to secure employment,

(b) If the provision is inserted in the contract pursuant to any rule, regulation, or contract of a bona fide labor union regulating the relations of its members to an artists' manager,

(c) If the contract provides for reasonable notice to the Labor Commissioner of the time and place of all arbitration hearings, and

(d) If the contract provides that the Labor Commissioner or his authorized representative has the right to attend all arbitration hearings.

Except as otherwise provided in this section, any such arbitration shall be governed by the provisions of Title ~~[IX]~~ 9 (commencing at Section 1280) of Part 3 of the Code of Civil Procedure.

If there is such an arbitration provision in such a contract, the contract need not provide that the artists' manager agrees to refer any controversy between the applicant and the artists' manager regarding the terms of the contract to the Labor Commissioner for adjustment, and Section 1700.44 shall not apply to controversies pertaining to the contract.

A provision in a contract providing for the decision by arbitration of any controversy arising under this chapter which does not meet the requirements of this section is not made valid by Section 1281 of the Code of Civil Procedure.

Respectfully submitted,

John H. DeMouilly,
Executive Secretary

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1/3/61

#32

RECOMMENDATION OF THE CALIFORNIA LAW REVISION COMMISSION

relating to

Arbitration

The present California arbitration statute is Title 9 (commencing with Section 1280) of Part 3 of the Code of Civil Procedure. The enactment of this statute in 1927 placed California among that small, but growing group of states that have rejected the common law hostility to the enforcement of arbitration agreements and have provided a modern, expeditious method of enforcing such agreements and awards made pursuant to them. Experience under the California law has been generally satisfactory but has revealed certain defects in the statutory scheme. Accordingly, the Law Revision Commission requested and was given authority to study the arbitration statute to determine whether it should be revised.

In making this study the Commission has not only considered the California arbitration statute and the decisions interpreting it, but has also considered the arbitration statutes and case law of other states and the Uniform Arbitration Act drafted by the National Conference of Commissioners on Uniform State Laws. The Commission has concluded that the basic principles of the present California arbitration statute should be retained. However, the Commission believes that some revision of the present law is necessary in order to improve the organization of the statute, to clarify the law of arbitration, to eliminate certain anomalies and to improve arbitration procedure. Although there are certain desirable

features of the Uniform Arbitration Act which should be incorporated in the California arbitration statute, much of the revision that is necessary would not be accomplished by the enactment of the Uniform Act. As the necessary revision of California arbitration law cannot be readily accomplished within the framework of the existing title on arbitration, the Commission recommends the enactment of a new title on arbitration that would retain the desirable principles of the existing law with the following principal modifications:

Matters Subject to Arbitration

1. The arbitration statute should be broadened to apply to agreements for appraisals and valuations. The distinction between "appraisal" and "arbitration" agreements was created by the courts at a time when the early statutory attempts to provide for enforcement of arbitration agreements imposed cumbersome procedural requirements upon the arbitration process. If it appeared from the nature of the agreement that the parties desired a determination of a particular fact -- such as the value of certain property -- and did not contemplate a formal proceeding in which evidence would be received, the courts found that the proceeding was an "appraisal" and not an "arbitration" in order to hold that the cumbersome statutory formalities were inapplicable. Since neither the present California arbitration statute nor the statute recommended by the Commission requires the observance of such formalities in the conduct of an arbitration proceeding, there is no longer any reason to preserve the judicially created distinction between these proceedings.

2. The arbitration statute should be made clearly applicable to

collective bargaining agreements and other agreements pertaining to labor. The present law states that its provisions are not applicable to "contracts pertaining to labor." It has been held, however, that this exclusion does not apply to agreements providing for the performance of mental and artistic, rather than physical, tasks; thus, contracts providing for the performance of actors' or artists' services and contracts pertaining to professional services are not within the exclusion. It has also been held that this exclusion is not applicable to collective bargaining agreements. Thus, the exclusion has been so narrowly construed that there is no reported case in which it has been applied.

The Commission believes that the arbitration statute should be clarified by omitting this exclusion and by providing specifically that agreements between employers and employees or their representatives are subject to the statute. This would codify the decisions interpreting the present arbitration statute. Of course such a provision would not require compulsory arbitration of labor disputes; it would merely provide a procedure for enforcing such arbitration agreements as parties voluntarily make. Many of the matters involved in labor disputes that are determined by arbitration cannot be determined judicially. Hence, if agreements to arbitrate such matters were unenforceable, there would be no means to resolve many of such matters except through industrial strife.

3. At the present time, arbitration agreements are enforceable only if they are in writing. This requirement should be retained with the qualification that the statute also applies to a written agreement that has been extended or renewed by an oral or implied agreement of the parties. Thus, arbitration provisions contained in a written agreement will continue

to be enforceable even if the agreement expires if the parties agree, either orally or by conduct, to continue to operate under the agreement.

Proceedings to Enforce Arbitration Agreements

1. Arbitration agreements presently are and they should continue to be specifically enforceable through special statutory proceedings. However, the determinations to be made by the court upon a petition to compel arbitration should be clarified. Some recent cases have indicated that the court may refuse to order arbitration if it finds that there is no merit to the contentions of the petitioner. Such decisions permit the courts to resolve the very questions that the parties have agreed to submit to the decision of the arbitrators. The Commission recommends the addition of language to the arbitration statute to make clear that upon proceedings to compel arbitration the court is not to consider the merits of the dispute sought to be arbitrated.

2. The arbitration statute should provide that there are matters that may be raised in defense to a petition to compel arbitration in addition to the lack of an agreement to arbitrate. The present statute provides that the court, upon a petition to compel arbitration, must determine whether the agreement to arbitrate exists and whether it has been breached; and, if there is no agreement or if there has been no breach of the agreement, the petition must be dismissed. Cases have held, however, that the courts may also consider whether the party seeking to compel arbitration has waived his right to do so or whether any other grounds exist that render the contract unenforceable. These holdings should be codified. Moreover, the statute should not, as it presently does, provide for the dismissal of the petition if the arbitration agreement has not been

breached. If there is an enforceable agreement to arbitrate, an order to arbitrate should be made even though there has been no breach of the agreement so that the parties will not have to return to the court if a party refuses to comply with the agreement at a later time.

3. Upon a petition to compel arbitration, the court should not be required to order the arbitration to proceed immediately if there is litigation between the parties pending before a court involving issues not subject to arbitration and a decision upon such issues may make the arbitration unnecessary. At the present time, the statute requires the court to order arbitration when it makes the requisite findings; there is no statutory provision permitting the court to delay the arbitration until other matters have been judicially determined.

4. A pending action should not be stayed because the matter in controversy is subject to arbitration unless the party seeking the stay has taken or is taking action to compel arbitration. Existing law provides for a stay of judicial proceedings merely upon a showing that the parties have agreed to arbitrate the matter involved. This permits the existence of an agreement to arbitrate to be used as the basis for a dilatory plea.

5. A procedure should be set forth in the statute to guide the courts in the selection of an arbitrator when asked to do so. None is provided in the present law. A court should be required to select an arbitrator either from nominees jointly proposed by the parties or from lists of experienced arbitrators maintained by such agencies as the American Arbitration Association, the Federal Mediation and Conciliation Service or the California State Conciliation Service.

Conduct of the Arbitration Proceeding

1. Although there is no requirement in the present statute that notice of the arbitration hearing be given to all parties, the courts have stated that reasonable notice is required. The requirement of notice should be codified; but the uncertain requirement of "reasonable notice" should be replaced with a specific requirement of at least seven days notice unless the parties have otherwise agreed.

2. Recognition should be given to the fact that when there is more than one arbitrator, often only one arbitrator is, in fact, a neutral; each of the other members of the panel usually represents the viewpoint of the party who appointed him. The arbitrator appointed as a neutral should be given the power and duty to send the required notices, administer oaths, issue subpoenas, rule on evidence and procedure and preside at the hearing.

3. The neutral arbitrator should not be permitted to base his decision on information relating to the controversy other than that obtained at the hearing unless the parties consent or are given an opportunity to meet such information. This would change the existing law which permits the arbitrators to consult independent experts outside the hearing without notifying the parties so long as the ultimate decision is that of the arbitrators themselves.

4. Unless the parties have otherwise agreed, the arbitrators should be authorized to proceed with the arbitration and make an award if a court has ordered arbitration even though one of the parties, after receiving notice, has refused to appear and take part. The present California law does not state whether the arbitration may proceed under such circumstances. A party should not be able to prevent arbitration merely by staying away from the hearing after there has been a judicial determination of his duty to arbitrate.

5. The neutral arbitrators should be able to make an award even though one or more of the arbitrators refuses to participate unless the parties have otherwise agreed. At the present time, if an arbitrator refuses to continue to participate in a proceeding, the hearing may continue and a majority of the arbitrators may decide the matter. However, the power of the majority to conduct the hearing when an arbitrator refuses to attend at all is doubtful, for the present California statute requires all of the arbitrators to meet. The Commission believes that the arbitration should proceed even though an arbitrator refuses to participate; but the decision in such a situation should be made only by the neutral arbitrators so that the remaining arbitrators who are not neutral may not control the decision.

6. Persons should have the right to be represented by counsel at any stage of the arbitration proceedings. Therefore, the statute should provide that a waiver of the right to be represented by counsel at arbitration proceedings may be revoked. Such a provision is particularly desirable because the arbitration rules of some trade associations provide that the parties waive their right to be represented by counsel, and

when an arbitration agreement incorporates these rules by reference, the parties may unwittingly waive their right to counsel when they merely believe that they are incorporating an arbitration procedure.

7. The arbitrators should have a limited power to correct the award for technical errors. At present, only the court has the power to do so. Extending the power to the arbitrators may make it unnecessary for the parties to apply to the courts for relief in cases where the arbitrators have merely made an error in calculation or in form.

8. If the arbitration agreement does not provide a time limit within which the arbitrators must determine the dispute, the court should be able to fix a time within which the matter must be decided. The absence of such a provision in the present California law permits an arbitration proceeding to be delayed unnecessarily. A party may be prevented from obtaining any relief at all in such cases, for a court proceeding would be stayed until the arbitration is completed.

9. Statutory provision should be made for the pro rata division of the costs of arbitration among the parties. There is no provision in the existing law fixing the responsibility of the parties for such costs. If there is no agreement between the parties on the matter, the costs should be borne equally by all the parties as this is the usual practice.

Enforcement of the Award

1. The present 90-day period within which an award may be confirmed by the court should be extended to four years. The confirmation procedure is merely a method of expeditiously enforcing an arbitration award and should be available when there is a refusal to comply with the award even

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though this may occur long after the award is made. However, the general principle of limitation of actions requires that there be some limit on the time for confirming an award and four years, the time within which relief must be sought for breach of a written contract, seems appropriate.

2. A petition to correct or vacate an award should be filed within 100 days from the date of the service of the award on the petitioner. The parties are entitled to know promptly whether or not the award is to be attacked. Such a petition is now required to be filed within 90 days. The 100-day period is easier to compute accurately than the 90-day period which is often thought of as a three-month period.

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3. It should be made clear that an award that has not been confirmed or vacated has the same force and effect as a contract in writing between the parties. The present California statute does not indicate the legal status of an unconfirmed award. Although no California case has specifically so held, there have been indications in some cases that an unconfirmed award probably would be enforced as a contract between the parties. If unconfirmed awards became void upon expiration of the time for confirmation, the parties would be forced to initiate judicial proceedings to confirm every award made. Thus a great deal of unnecessary and undesired litigation would be generated.

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4. The arbitration statute should require the presentation of all issues relating to the validity of an award to the court at the same time by providing that whenever a petition relating to an award is filed the court must confirm the award as made unless it corrects and confirms the award, vacates the award or dismisses the proceeding. When a court entertains any proceeding relating to an award, it should finally settle

the status of the award so that it will be unnecessary for the parties to return to the court at a later time for another determination of the status of the award.

5. If the court vacates an award, it should have the power to order a rehearing by arbitrators; but unless the parties otherwise agree, the rehearing should be conducted by different arbitrators, for the original arbitrators may be unduly disposed to decide the matter in the same manner that it was decided at the first hearing. The present statute grants the court the power to order a rehearing, but only if the time originally fixed in the arbitration agreement for the arbitrators' decision has not expired. This limitation precludes a rehearing in a great many cases. The statute should be revised to permit the award on rehearing to be made within the same period of time as that specified in the agreement computed from the date of the order for rehearing if the court determines that the purpose of the original time limit would not be frustrated by such an extension.

6. A written award made pursuant to an oral arbitration agreement should be subject to confirmation, correction or vacation under the arbitration statute. At present, oral arbitration agreements are not specifically enforceable, but an award made pursuant to such an agreement is enforceable as a contract. There is, however, no provision in the arbitration statute for enforcing or attacking an award made pursuant to an oral agreement. The Commission does not recommend a change in the policy of refusing specific enforcement of oral arbitration agreements. But there is no reason to deny the parties to such an agreement the right to utilize the summary procedures available under the arbitration statute after a written award has been made.

Judicial Proceedings Generally

1. For the purpose of judicial proceedings arising out of an arbitration agreement, California courts should have personal jurisdiction over a person who enters into such an agreement in this State providing for arbitration in California whether or not such person can be found within the State when judicial relief is sought. At the present time, an arbitration agreement entered into in California probably cannot be enforced here against an out-of-state party unless personal jurisdiction can be obtained. The Commission therefore recommends that the making of an agreement in this State which provides for arbitration in this State be deemed a consent to California's jurisdiction for purposes of judicial proceedings relating to the arbitration agreement. A similar provision is contained in the Uniform Arbitration Act and the laws of some other states.

2. The arbitration statute should set forth the pleading procedure to be followed in judicial proceedings arising out of an arbitration agreement. These proceedings should be initiated by filing a petition; a person opposing a petition should be permitted to file a response. The present law does not indicate what pleading is appropriate in such cases, and as a result the parties to these proceedings cannot determine whether an opposing pleading is necessary or permitted or what form of opposing pleading to use.

3. The venue provisions of the present arbitration statute, which are scattered throughout the title on arbitration, should be clarified and brought together. They should also be revised to permit California courts to confirm an award even if portions of the arbitration proceeding

were conducted in several counties or outside the State. The benefits of the arbitration statute should not be denied to the parties to an arbitration agreement merely because circumstances require that evidence be received in more than one locality or that the controversy be submitted to persons not all of whom are within the State.

4. The appeal provisions of the arbitration statute should also be clarified. The present statute does not provide for an appeal from an order made prior to the arbitration hearing. The cases hold that an order dismissing a petition to compel arbitration is appealable and an order granting a petition to compel arbitration is not appealable. These decisions should be codified.

Elimination of Obsolete Provisions

There are certain provisions in the codes that are inconsistent with the provisions of the title on arbitration as proposed:

Section 1053 of the Code of Civil Procedure provides in part that when there are three arbitrators all must meet but two of them may perform any act that all of them might perform. As the proposed title on arbitration contains provisions determining the circumstances under which arbitration may proceed in the absence of some of the arbitrators, the reference in Section 1053 to arbitrators should be deleted.

Civil Code Section 1730 (Section 10 of the Uniform Sales Act) states that a contract to sell at a valuation is avoided if the valuation fails without fault of either party. As there is no reason for such a contract to fail if the parties can proceed under the arbitration statute, this section should be amended to recognize that in some cases the arbitration statute will prevent the contract from failing.

Subdivision 3 of Civil Code Section 3390 states that an agreement to submit a dispute to arbitration is not specifically enforceable. As the arbitration statute provides a procedure for specifically enforcing arbitration agreements, this subdivision should be deleted from the section.

Sections 1647.5 and 1700.45 of the Labor Code contain references to statutory provisions that will be repealed by the proposed legislation. These sections should be amended to delete these references and to indicate the relationship of the sections to the new arbitration statute.

The Commission's recommendation would be effectuated by the enactment of the following measure:*

*Matter in italics would be added to the present law; matter in "strike out" type would be omitted.

An act to repeal Title 9 (commencing with Section 1280) of Part 3 of the Code of Civil Procedure, to add Title 9 (commencing with Section 1280) to Part 3 of the Code of Civil Procedure, to amend Section 1053 of the Code of Civil Procedure, to amend Sections 1730 and 3390 of the Civil Code and to amend Sections 1647.5 and 1700.45 of the Labor Code, relating to arbitration.

The people of the State of California do enact as follows:

SECTION 1. Title 9 (commencing with Section 1280) of Part 3 of the Code of Civil Procedure is repealed.

SEC. 2. Title 9 (commencing with Section 1280) is added to Part 3 of the Code of Civil Procedure, to read:

Title 9

ARBITRATION

Chapter 1

GENERAL PROVISIONS

1280. As used in this title:

(a) "Agreement" includes but is not limited to agreements providing for valuations, appraisals and similar proceedings and agreements between employers and employees or between their respective representatives.

(b) "Award" includes but is not limited to an award made pursuant to an agreement not in writing.

(c) "Controversy" means any question arising between parties to

an agreement whether such question is one of law or of fact or both.

(d) "Neutral arbitrator" means an arbitrator who is (1) selected jointly by the parties to the arbitration or by the arbitrators selected by the parties or (2) appointed by the court when the parties or the arbitrators selected by the parties fail to select an arbitrator who was to be selected jointly by them.

(e) "Party to the arbitration" means a party to the arbitration agreement who either is given notice of the arbitration or participates in the arbitration.

(f) "Written agreement" shall be deemed to include a written agreement which has been extended or renewed by an oral or implied agreement.

1280.2. Whenever reference is made in this title to any portion of the title or of any other law of this State, the reference applies to all amendments and additions thereto now or hereafter made.

Chapter 2

ENFORCEMENT OF ARBITRATION AGREEMENTS

1281. A written agreement to submit to arbitration an existing controversy or a controversy thereafter arising is valid, enforceable and irrevocable, save upon such grounds as exist for the revocation of any contract.

1281.2. On petition of a party to an arbitration agreement alleging the existence of a written agreement to arbitrate a controversy and that a party thereto refuses to arbitrate such controversy, the court shall order the petitioner and the respondent to arbitrate the controversy if it determines that an agreement to arbitrate the controversy exists, unless it determines that:

(a) The right to compel arbitration has been waived by the petitioner; or

(b) Grounds exist for the revocation of the agreement.

If the court determines that a written agreement to arbitrate a controversy exists, an order to arbitrate such controversy may not be refused on the ground that the petitioner's contentions lack substantive merit.

If the court determines that there are other issues between the petitioner and the respondent which are not subject to arbitration and which are the subject of a pending action or special proceeding between the petitioner and the respondent and that a determination of such issues may make the arbitration unnecessary, the court may delay its order to arbitrate until the determination of such other issues or until such earlier time as the court specifies.

1281.4. If a court of competent jurisdiction, whether in this State or not, has ordered arbitration of a controversy which is an issue involved in an action or proceeding pending before a court of this State, the court in which such action or proceeding is pending shall, upon motion of a party to such action or proceeding, stay the action or proceeding until an arbitration is had in accordance with the order to arbitrate or until such earlier time as the court specifies.

If an application has been made to a court of competent jurisdiction, whether in this State or not, for an order to arbitrate a controversy which is an issue involved in an action or proceeding pending before a court of this State and such application is undetermined, the court in which

such action or proceeding is pending shall, upon motion of a party to such action or proceeding, stay the action or proceeding until the application for an order to arbitrate is determined and, if arbitration of such controversy is ordered, until an arbitration is had in accordance with the order to arbitrate or until such earlier time as the court specifies.

If the issue which is the controversy subject to arbitration is severable, the stay may be with respect to that issue only.

1281.6. If the arbitration agreement provides a method of appointing an arbitrator, such method shall be followed. If the arbitration agreement does not provide a method for appointing an arbitrator, the parties to the arbitration may agree on a method of appointing an arbitrator and that method shall be followed. In the absence of an agreed method, or if the agreed method fails or for any reason cannot be followed, or when an arbitrator appointed fails to act and his successor has not been appointed, the court, on petition of a party to the arbitration agreement, shall appoint the arbitrator.

When a petition is made to the court to appoint a neutral arbitrator, the court shall nominate five persons from lists of persons supplied jointly by the parties to the arbitration or obtained from a governmental agency or private disinterested association concerned with arbitration. The parties to the arbitration may within five days of receipt of notice of such nominees from the court jointly select the arbitrator whether or not such arbitrator is among the nominees. If the parties to the arbitration fail to select an arbitrator within the five-day period, the court shall appoint the arbitrator from the nominees.

Chapter 3

CONDUCT OF ARBITRATION PROCEEDINGS

1282. Unless the arbitration agreement otherwise provides, or unless the parties to the arbitration otherwise provide by an agreement which is not contrary to the arbitration agreement as made or as modified by all of the parties thereto:

(a) The arbitration shall be by a single neutral arbitrator.

(b) If there is more than one arbitrator, the powers and duties of the arbitrators, other than the powers and duties of a neutral arbitrator, may be exercised by a majority of them if reasonable notice of all proceedings has been given to all arbitrators.

(c) If there is more than one neutral arbitrator:

(1) The powers and duties of a neutral arbitrator may be exercised by a majority of the neutral arbitrators.

(2) By unanimous agreement of the neutral arbitrators, such powers and duties may be delegated to one of their number but the power to make or correct the award may not be so delegated.

(d) If there is no neutral arbitrator, the powers and duties of a neutral arbitrator may be exercised by a majority of the arbitrators.

1282.2. Unless the arbitration agreement otherwise provides, or unless the parties to the arbitration otherwise provide by an agreement which is not contrary to the arbitration agreement as made or as modified by all the parties thereto:

(a) The neutral arbitrator shall appoint a time and place for the hearing and cause notice thereof to be served personally or by registered or certified mail on the parties to the arbitration agreement who are

necessary to a complete determination of the controversy and on the other arbitrators not less than seven days before the hearing. Appearance at the hearing waives the right to notice.

(b) The neutral arbitrator may adjourn the hearing from time to time as necessary. On request of a party to the arbitration for good cause, or upon his own determination, the neutral arbitrator may postpone the hearing to a time not later than the date fixed by the agreement for making the award, or to a later date if the parties to the arbitration consent thereto.

(c) The neutral arbitrator shall preside at the hearing, shall rule on the admission and exclusion of evidence and on questions of hearing procedure and shall exercise all powers relating to the conduct of the hearing.

(d) The parties to the arbitration are entitled to be heard, to present evidence and to cross-examine witnesses appearing at the hearing, but rules of evidence and rules of judicial procedure need not be observed. On request of any party to the arbitration, the testimony of witnesses shall be given under oath.

(e) If a court has ordered a person to arbitrate a controversy, the arbitrators may hear and determine the controversy upon the evidence produced notwithstanding the failure of a party ordered to arbitrate, who has been duly notified, to appear.

(f) If an arbitrator, who has been duly notified, for any reason fails to participate in the arbitration, the arbitration shall continue but only the remaining neutral arbitrator or neutral arbitrators may make the award.

(g) If a neutral arbitrator intends to base an award upon information not obtained at the hearing, he shall disclose such information to all parties to the arbitration and give the parties an opportunity to meet it.

1282.4. A party to the arbitration has the right to be represented by an attorney at any proceeding or hearing in arbitration under this title. A waiver of this right may be revoked; but if a party revokes such waiver, the other party is entitled to a reasonable continuance for the purpose of procuring an attorney.

1282.6. Upon application of a party to the arbitration or upon his own determination, the neutral arbitrator may issue subpoenas for the attendance of witnesses and subpoenas duces tecum for the production of books, records, documents and other evidence. Subpoenas shall be served and enforced in accordance with Chapter 2 (commencing with Section 1985) of Title 3 of Part 4 of this code.

1282.8. The neutral arbitrator may administer oaths.

1283. On application of a party to the arbitration the neutral arbitrator may order the deposition of a witness who will be unable or cannot be compelled to attend the hearing to be taken for use as evidence and not for discovery. The deposition shall be taken in the manner prescribed by law for the taking of depositions in civil actions. If the neutral arbitrator orders the taking of the deposition of a witness who resides outside the State, the party who applied for the taking of the deposition shall obtain a commission therefor from the superior court in accordance with Sections 2024 to 2028, inclusive, of this code.

1283.2. Except for the parties to the arbitration and their agents, officers and employees, all witnesses appearing pursuant to subpoena are

entitled to receive fees and mileage in the same amount and under the same circumstances as prescribed by law for witnesses in civil actions in the superior court. The fee and mileage of a witness subpoenaed upon the application of a party to the arbitration shall be paid by such party. The fee and mileage of a witness subpoenaed solely upon the determination of the neutral arbitrator shall be paid in the manner provided for the payment of the neutral arbitrator's expenses.

1283.4. The award shall be in writing and signed by the arbitrators concurring therein. It shall include a determination of all the questions submitted to the arbitrators the decision of which is necessary in order to determine the controversy.

1283.6. The neutral arbitrator shall serve a signed copy of the award on each party to the arbitration personally or by registered or certified mail or as provided in the agreement.

1283.8. The award shall be made within the time fixed therefor by the agreement or, if not so fixed, within such time as the court orders on petition of a party to the arbitration. The parties to the arbitration may extend the time either before or after the expiration thereof. A party to the arbitration waives the objection that an award was not made within the time required unless he gives the arbitrators written notice of his objection prior to the service of a signed copy of the award on him.

1284. The arbitrators, upon written application of a party to the arbitration, may correct the award upon any of the grounds set forth in

subdivisions (a) and (c) of Section 1286.4 not later than 30 days after service of a signed copy of the award on the applicant.

Application for such correction shall be made not later than 10 days after service of a signed copy of the award on the applicant. Upon or before making such application, the applicant shall deliver or mail a copy of the application to all of the other parties to the arbitration.

Any party to the arbitration may make written objection to such application. The objection shall be made not later than 10 days after the application is delivered or mailed to the objector. Upon or before making such objection, the objector shall deliver or mail a copy of the objection to the applicant and all the other parties to the arbitration.

The arbitrators shall either deny the application or correct the award. The denial of the application or the correction of the award shall be in writing and signed by the arbitrators concurring therein, and the neutral arbitrator shall serve a signed copy of such denial or correction on each party to the arbitration personally or by registered or certified mail or as provided in the agreement. If no denial of the application or correction of the award is served within the 30-day period provided in this section, the application for correction shall be deemed denied on the last day thereof.

1284.2. Unless the arbitration agreement otherwise provides or the parties to the arbitration otherwise agree, each party to the arbitration shall pay his pro rata share of the expenses and fees of the neutral arbitrator, together with other expenses of the arbitration

incurred or approved by the neutral arbitrator, not including counsel fees or witness fees or other expenses incurred by a party for his own benefit.

CHAPTER 4

ENFORCEMENT OF THE AWARD

Article 1

Confirmation, Correction or Vacation of the Award

1285. Any party to an arbitration in which an award has been made may petition the court to confirm, correct or vacate the award. The petition shall name as respondents all parties to the arbitration and may name as respondents any other persons bound by the arbitration award.

1285.2. A response to a petition under this chapter may request the court to dismiss the petition or to confirm, correct or vacate the award.

1285.4. A petition under this chapter shall:

(a) Set forth the substance of or have attached a copy of the agreement to arbitrate unless the petitioner denies the existence of such an agreement.

(b) Set forth the names of the arbitrators.

(c) Set forth or have attached a copy of the award and the written opinion of the arbitrators, if any.

1285.6. Unless a copy thereof is set forth in or attached to the petition, a response to a petition under this chapter shall:

(a) Set forth the substance of or have attached a copy of the agreement to arbitrate unless the respondent denies the existence of such an agreement.

(b) Set forth the names of the arbitrators.

(c) Set forth or have attached a copy of the award and the written opinion of the arbitrators, if any.

1285.8. A petition to correct or vacate an award, or a response requesting such relief, shall set forth the grounds on which the request for such relief is based.

1286. If a petition or response under this chapter is duly served and filed, the court shall confirm the award as made unless in accordance with this chapter it corrects the award and confirms it as corrected, vacates the award or dismisses the proceeding.

1286.2. If a petition or response requesting either that an award be corrected or that an award be vacated is duly served and filed by an aggrieved party, the court shall vacate the award if the court determines that:

(a) The award was procured by corruption, fraud or other undue means;

(b) There was corruption in any of the arbitrators;

(c) The rights of such party were substantially prejudiced by misconduct of a neutral arbitrator;

(d) The arbitrators exceeded their powers and the award cannot be corrected without affecting the merits of the decision upon the controversy submitted; or

(e) The rights of such party were substantially prejudiced by the refusal of the arbitrators to postpone the hearing upon sufficient cause being shown therefor or by the refusal of the arbitrators to hear evidence material to the controversy or by other conduct of the arbitrators contrary to the provisions of this title.

1286.4. If a petition or response requesting either that an award be corrected or that an award be vacated is duly served and filed, the court, unless it vacates the award pursuant to Section 1286.2, shall correct the award and confirm it as corrected if the court determines that:

(a) There was an evident miscalculation of figures or an evident mistake in the description of any person, thing or property referred to in the award;

(b) The arbitrators have awarded upon a matter not submitted to them and the award may be corrected without affecting the merits of the decision upon the controversy submitted; or

(c) The award is imperfect in a matter of form, not affecting the merits of the controversy.

1286.6. If the award is vacated, the court may order a rehearing before new arbitrators. If the award is vacated on the grounds set forth in subdivision (d) or (e) of Section 1286.2, the court with the consent of the parties to the court proceeding may order a rehearing before the original arbitrators.

If the arbitration agreement requires that the award be made within a specified period of time, the rehearing may nevertheless be held and the award made within an equal period of time beginning with the date of

the order for rehearing but only if the court determines that the purpose of the time limit agreed upon by the parties to the arbitration agreement will not be frustrated by the application of this provision.

1286.8. The court shall dismiss the proceeding under this chapter as to any person named as a respondent if the court determines that such person was not bound by the arbitration agreement and did not participate in the arbitration.

1287. If an award is confirmed, judgment shall be entered in conformity therewith. The judgment so entered has the same force and effect as, and is subject to all the provisions of law relating to, a judgment in a civil action; and it may be enforced like any other judgment of the court in which it is entered.

1287.2. An award that has not been confirmed or vacated has the same force and effect as a contract in writing between the parties to the arbitration.

Article 2

Limitations of Time

1288. A petition to confirm an award shall be served and filed not later than four years after the date of service of a signed copy of the award on the petitioner. A petition to vacate an award or to correct an award shall be served and filed not later than 100 days after the date of the service of a signed copy of the award on the petitioner.

1288.2. A response requesting that an award be vacated or that an award be corrected shall be served and filed not later than 100 days after the date of service of a signed copy of the award upon:

- (a) The respondent if he was a party to the arbitration; or
- (b) The respondent's representative if the respondent was not a party to the arbitration.

1288.4. No petition may be served and filed under this chapter until at least 10 days after service of the signed copy of the award upon the petitioner.

1288.6. If an application is made to the arbitrators for correction of the award, a petition may not be served and filed under this chapter until the determination of that application.

1288.8. If an application is made to the arbitrators for correction of the award, the date of the service of the award for the purposes of this article shall be deemed to be whichever of the following dates is the earlier:

- (a) The date of service upon the petitioner of a signed copy of the correction of the award or of the denial of the application.

- (b) The date that such application is deemed to be denied under Section 1284.

CHAPTER 5

GENERAL PROVISIONS RELATING TO JUDICIAL PROCEEDINGS

Article 1

Petitions and Responses

1290. A proceeding under this title in the courts of this State is commenced by filing a petition. Any person named as a respondent in a petition may file a response thereto. The allegations of a petition are deemed to be admitted by a respondent duly served therewith unless a response is duly served and filed. The allegations of a response are deemed controverted or avoided.

1290.2. A petition under this title shall be heard in a summary way in the manner and upon the notice provided by law for the making and hearing of motions, except that not less than 10 days notice of the date set for the hearing on the petition shall be given.

1290.4. (a) A copy of the petition and a written notice of the time and place of the hearing thereof and any other papers upon which the petition is based shall be served in the manner provided in the arbitration agreement for the service of such petition and notice.

(b) If the arbitration agreement does not provide the manner in which such service shall be made and the person upon whom service is to be made has not previously appeared in the proceeding and has not previously been served in accordance with this subdivision:

(1) Service within this State shall be made in the manner provided

by law for the service of summons in an action.

(2) Service outside this State shall be made by mailing the copy of the petition and notice and other papers by registered or certified mail. Personal service is the equivalent of such service by mail. Proof of service by mail shall be made by affidavit showing such mailing together with the return receipt of the United States Post Office bearing the signature of the person on whom service was made. Notwithstanding any other provision of this title, if service is made in the manner provided in this paragraph, the petition may not be heard until at least 30 days after the date of such service.

(c) If the arbitration agreement does not provide the manner in which such service shall be made and the person on whom service is to be made has previously appeared in the proceeding or has previously been served in accordance with subdivision (b) of this section, service shall be made in the manner provided in Chapter 5 (commencing with Section 1010) of Title 14 of Part 2 of this code.

1290.6. A response shall be served and filed within 10 days after service of the petition except that if the petition is served in the manner provided in paragraph (2) of subdivision (b) of Section 1290.4, the response shall be served and filed within 30 days after service of the petition. The time provided in this section for serving and filing a response may be extended by an agreement in writing between the parties to the court proceeding or, for good cause, by order of the court.

1290.8. A response shall be served as provided in Chapter 5 (commencing with Section 1010) of Title 14 of Part 2 of this code.

1291. Findings of fact and conclusions of law shall be made by the court

whenever an order or judgment, except a special order after final judgment, is made that is appealable under this title.

1291.2. In all proceedings brought under the provisions of this title, all courts wherein such proceedings are pending shall give such proceedings preference over all other civil actions or proceedings, except older matters of the same character and matters to which special precedence may be given by law, in the matter of setting the same for hearing and in hearing the same to the end that all such proceedings shall be quickly heard and determined.

Article 2

Venue, Jurisdiction and Costs

1292. Except as otherwise provided in this article, any petition made prior to the commencement of arbitration shall be filed in the superior court in:

(a) The county where the agreement is to be performed or was made.

(b) If the agreement does not specify a county where the agreement is to be performed and the agreement was not made in any county in this State, the county where any party to the court proceeding resides or has a place of business.

(c) In any case not covered by subdivision (a) or (b) of this section, in any county in this State.

1292.2. Except as otherwise provided in this article, any petition made after the commencement or completion of arbitration shall be filed in the superior court in the county where the arbitration is being or has been

held, or, if not held exclusively in any one county of this State, then such petition shall be filed as provided in Section 1292.

1292.4. If a controversy referable to arbitration under an alleged agreement is involved in an action or proceeding pending in a superior court, a petition for an order to arbitrate shall be filed in such action or proceeding.

1292.6. After a petition has been filed under this title, the court in which such petition was filed retains jurisdiction to determine any subsequent petition involving the same agreement to arbitrate and the same controversy, and any such subsequent petition shall be filed in that court.

1292.8. A motion for a stay of an action on the ground that an issue therein is subject to arbitration shall be made in the court where the action is pending.

1293. The making of an agreement in this State providing for arbitration to be had within this State shall be deemed a consent of the parties thereto to the jurisdiction of the courts of this State to enforce such agreement by the making of any orders provided for in this title and by entering of judgment on an award under the agreement.

1293.2. The court shall award costs upon any judicial proceeding under this title as provided in Chapter 6 (commencing with Section 1021) of Title 14 of Part 2 of this code.

Article 3

Appeals

1294. An aggrieved party may appeal from:

- (a) An order dismissing or denying a petition to compel arbitration.
- (b) An order dismissing a petition to confirm, correct or vacate an award.
- (c) An order vacating an award unless a rehearing in arbitration is ordered.
- (d) A judgment entered pursuant to this title.
- (e) A special order after final judgment.

1294.2. The appeal shall be taken in the same manner as an appeal from an order or judgment in a civil action. Upon an appeal from any order or judgment under this title, the court may review the decision and any intermediate ruling, proceeding, order or decision which involves the merits or necessarily affects the order or judgment appealed from, or which substantially affects the rights of a party. The court may also on such appeal review any order on motion for a new trial. The respondent on the appeal, or party in whose favor the judgment or order was given may, without appealing from such judgment, request the court to and it may review any of the foregoing matters for the purpose of determining whether or not the appellant was prejudiced by the error or errors upon which he relies for reversal or modification of the judgment or order from which the appeal is taken. The provisions of this section do not authorize the court to review any decision or order from which an appeal might have been taken.

SEC. 3. Section 1053 of the Code of Civil Procedure is amended to read:

1053. When there are three referees [~~y-er-three-arbitrators,~~] all must meet, but two of them may do any act which might be done by all.

SEC. 4. Section 1730 of the Civil Code is amended to read:

1730. [~~SALE-AT-A-VALUATION.~~] (1) Where there is a contract to sell or a sale of goods at a price or on terms to be fixed by a third person, and such third person, or a person appointed pursuant to Title 9 (commencing with Section 1280) of Part 3 of the Code of Civil Procedure relating to arbitration, without fault of the seller or the buyer, cannot or does not fix the price or terms, the contract or the sale is thereby avoided; but if the goods or any part thereof have been delivered to and appropriated by the buyer he must pay a reasonable price therefor.

(2) Where such third person or person appointed pursuant to Title 9 (commencing with Section 1280) of Part 3 of the Code of Civil Procedure is prevented from fixing the price or terms by fault of the seller or the buyer, the party not in fault may have such remedies against the party in fault as are allowed by Chapters 4 and 5 of this act.

SEC. 5. Section 3390 of the Civil Code is amended to read:

3390. The following obligations cannot be specifically enforced:

1. An obligation to render personal service;
2. An obligation to employ another in personal service;
3. [~~An-agreement-to-submit-a-controversy-to-arbitration;~~]

[4.] An agreement to perform an act which the party has not power lawfully to perform when required to do so;

[5.] 4. An agreement to procure the act or consent of the wife of

the contracting party, or of any other third person; or,

[6.] 5. An agreement, the terms of which are not sufficiently certain to make the precise act which is to be done clearly ascertainable.

SEC. 6. Section 1647.5 of the Labor Code is amended to read:

1647.5. Notwithstanding Sections 1626 and 1647 of the Labor Code [~~and Section 1280 of the Code of Civil Procedure~~], a provision in a contract providing for the decision by arbitration of any controversy under the contract or as to its existence, validity, construction, performance, nonperformance, breach, operation, continuance, or termination, shall be valid:

(a) If the provision is contained in a contract between an employment agency and a person for whom such employment agency under the contract undertakes to endeavor to secure employment,

(b) If the provision is inserted in the contract pursuant to any rule, regulation, or contract of a bona fide labor union regulating the relations of its members to an employment agency,

(c) If the contract provides for reasonable notice to the Labor Commissioner of the time and place of all arbitration hearings, and,

(d) If the contract provides that the Labor Commissioner or his authorized representative has the right to attend all arbitration hearings.

Except as otherwise provided in this section, any such arbitration shall be governed by the provisions of Title [X] 9 (commencing with Section 1280) of Part [III] 3 of the Code of Civil Procedure.

If there is such an arbitration provision in such a contract, the

contract need not provide that the employment agency agrees to refer any controversy between the applicant and the employment agency regarding the terms of the contract to the Labor Commissioner for adjustment, and Section 1647 shall not apply to controversies pertaining to the contract.

A provision in a contract providing for the decision by arbitration of any controversy arising under this chapter which does not meet the requirements of this section is not made valid by Section 1281 of the Code of Civil Procedure.

SEC. 7. Section 1700.45 of the Labor Code is amended to read:

1700.45. Notwithstanding Section 1700.44 of the Labor Code [~~and Section 1280 of the Code of Civil Procedure~~], a provision in a contract providing for the decision by arbitration of any controversy under the contract or as to its existence, validity, construction, performance, nonperformance, breach, operation, continuance, or termination, shall be valid:

(a) If the provision is contained in a contract between an artists' manager and a person for whom such artists' manager under the contract undertakes to endeavor to secure employment,

(b) If the provision is inserted in the contract pursuant to any rule, regulation, or contract of a bona fide labor union regulating the relations of its members to an artists' manager,

(c) If the contract provides for reasonable notice to the Labor Commissioner of the time and place of all arbitration hearings, and

(d) If the contract provides that the Labor Commissioner or his authorized representative has the right to attend all arbitration hearings.

Except as otherwise provided in this section, any such arbitration shall be governed by the provisions of Title [IX] 9 (commencing at Section 1280) of Part 3 of the Code of Civil Procedure.

If there is such an arbitration provision in such a contract, the contract need not provide that the artists' manager agrees to refer any controversy between the applicant and the artists' manager regarding the terms of the contract to the Labor Commissioner for adjustment, and Section 1700.44 shall not apply to controversies pertaining to the contract.

A provision in a contract providing for the decision by arbitration of any controversy arising under this chapter which does not meet the requirements of this section is not made valid by Section 1281 of the Code of Civil Procedure.

SEC. 8. This act applies to all contracts whether executed before or after the effective date of this act except that Section 1293 of the Code of Civil Procedure, as added by this act, does not apply to any contract executed before the effective date of this act but Section 1293 does apply to any renewal or extension of an existing contract on or after the effective date of this act.