

AMENDED IN SENATE AUGUST 26, 2002  
AMENDED IN SENATE AUGUST 14, 2002  
AMENDED IN ASSEMBLY MAY 14, 2002  
AMENDED IN ASSEMBLY APRIL 17, 2002  
AMENDED IN ASSEMBLY APRIL 1, 2002

CALIFORNIA LEGISLATURE—2001–02 REGULAR SESSION

**ASSEMBLY BILL**

**No. 2574**

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**Introduced by Assembly Member Harman**

February 21, 2002

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An act to add Section 1281.92 to the Code of Civil Procedure, relating to arbitration.

LEGISLATIVE COUNSEL'S DIGEST

AB 2574, as amended, Harman. Arbitration: conflicts of interest.

Existing law provides that in any arbitration pursuant to an arbitration agreement, if a person is to serve as a neutral arbitrator, the proposed neutral arbitrator is required to disclose all matters that would cause a person aware of the facts to reasonably entertain a doubt that the proposed neutral arbitrator would be able to be impartial, as specified.

This bill would prohibit a private arbitration company from administering a consumer arbitration, or providing any other services related to a consumer arbitration, if the company has, or within the preceding year has had, a specified financial interest, in any party or attorney for a party. ~~The bill also would prohibit a private arbitration company from administering a consumer arbitration, or providing any~~

~~other services related to a consumer arbitration, if the company or any manager or owner of the company is, or within the preceding year has been, employed or engaged as a consultant or an independent contractor by any party or attorney for a party. The bill would impose similar limitations on the provision of services by private arbitration companies based on the financial interests of any party or attorney for a party in the private arbitration company. The bill would state that its provisions become operative on January 1, 2003.~~

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

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

1 SECTION 1. Section 1281.92 is added to the Code of Civil  
2 Procedure, to read:

3 1281.92. (a) No private arbitration company may administer  
4 a consumer arbitration, or provide any other services related to a  
5 consumer arbitration, if the company has, or within the preceding  
6 year has had, a financial interest, as defined in Section 170.5, in  
7 any party or attorney for a party.

8 ~~(b) No private arbitration company may administer a consumer~~  
9 ~~arbitration, or provide any other services related to a consumer~~  
10 ~~arbitration, if the company or any manager or owner of the~~  
11 ~~company is, or within the preceding year has been, employed or~~  
12 ~~engaged as a consultant or an independent contractor by any party~~  
13 ~~or attorney for a party. For purposes of this subdivision, the~~  
14 ~~provision of consumer arbitration services does not constitute~~  
15 ~~employment or engagement as a consultant or independent~~  
16 ~~contractor. This section does not prohibit a private arbitration~~  
17 ~~company from conducting training programs regarding the~~  
18 ~~arbitration or mediation process in general.~~

19 ~~(c)~~

20 (b) No private arbitration company may administer a consumer  
21 arbitration, or provide any other services related to a consumer  
22 arbitration, if any party or attorney for a party has, or within the  
23 preceding year has had, any type of financial interest in, or  
24 financial relationship in or with, the private arbitration company,  
25 including an ownership interest, debt, loan or lease in or with the  
26 private arbitration company. For purposes of this subdivision, a  
27 private arbitration company does not have a financial relationship



1 ~~with a party solely because it purchases from the party, goods or~~  
2 ~~services on the same terms and conditions that are available to the~~  
3 ~~general public.~~ *the private arbitration company*

4 (c) *This section shall operate only prospectively so as not to*  
5 *prohibit the administration of consumer arbitrations on the basis*  
6 *of financial interests held prior to January 1, 2003.*

7 (d) This section applies to all consumer arbitration agreements  
8 subject to this article, and to all consumer arbitration proceedings  
9 conducted in California.

10 (e) This section shall become operative on January 1, 2003.

