

Judiciary Committee

SB 5373

Title: *An act relating to mandatory arbitration of civil actions.*

Brief Description: *Changing mandatory arbitration of civil actions.*

Sponsors: *By Senators Sheahan, Kline, McCaslin, Thibaudeau, Kastama, Long, Roach, Johnson and Constantine.*

Brief Summary of Bill

- *Provides an offer of compromise procedure that effects the award of reasonable attorney fees and costs when an arbitration award is appealed to superior court.*

Hearing Date: *3/27/01*

Staff: *Bill Perry (786-7123).*

Background:

Arbitration is a nonjudicial method for resolving disputes in which a neutral party is given authority to decide the case. Arbitration is intended to be a less expensive and time-consuming way of settling problems than taking a dispute to court. Parties are generally free to agree between themselves to submit an issue to arbitration. In some cases, however, arbitration is mandatory.

A statute allows any superior court, by majority vote of its judges, to adopt mandatory arbitration in prescribed cases. In counties of 70,000 or more population, the county legislative authority may also impose this mandatory arbitration. This mandatory arbitration applies to cases in which the sole relief sought is a money judgment of \$15,000 or less. By a two-thirds vote, the judges of the superior court may raise this limit to \$35,000.

An award by an arbitrator may be appealed to the superior court. The superior court will hear the appeal "de novo;" that is the court will conduct a trial on all issues of fact and law essentially as though the arbitration had not occurred.

The mandatory arbitration statute provides that supreme court rule will establish the procedures to be used in mandatory arbitration. The statute also provides that the supreme court rules may allow for the recovery of costs and "reasonable" attorney fees from a party who demands a trial de novo and fails to improve his or her position on appeal. The determination of whether or not the appealing party's position has been improved is based on the amount awarded in arbitration compared to the amount awarded at the trial de novo.

"Reasonable" attorney fees are set by the court based on factors designed to reflect the actual cost of legal representations. "Statutory" attorney fees are set by statute at \$125 and are part of the "costs" which a prevailing party may be awarded. "Costs" also include items such as the filing fee and fees for service of process, notarization, and witness fees.

Summary of Bill:

An offer of compromise procedure is provided for mandatory arbitration cases that are appealed to the superior court. The procedure includes the following:

- A non-appealing party may serve an appealing party with a written offer to settle the case.*
- If the appealing party does not accept the offer, the amount of the offer becomes the basis for determining whether the party that demanded the trial de novo fails to improve his or her position on appeal for purposes of awarding reasonable attorney fees and costs under the court rules.*
- At a trial de novo, the offer of compromise will not be made known to the trier of fact until after a judgment is reached in the trial.*
- The award of reasonable attorney fees and costs against an appealing party who fails to improve his or her position is made mandatory in statute. The superior court is also authorized to assess these same fees and costs against a party who voluntarily withdraws a request for a trial de novo, but only if the voluntary withdrawal is not made in connection with the acceptance of an offer of compromise.*
- A party who prevails in arbitration and at a trial de novo may still recover statutory attorney fees and costs even if the party who appealed the arbitration award improved his or her position on appeal.*

The act applies to all requests for a trial de novo filed on or after the effective date of the act.

Appropriation: *None.*

Fiscal Note: *Not Requested.*

Effective Date: *Ninety days after adjournment of session in which bill is passed.*

