FLOOR ALERT

SB 82 (Umberg), as Amended April 10, 2025 – OPPOSE

The above coalition respectfully **OPPOSES SB 82**, which unduly restricts the use of arbitration agreements in a broad array of consumer contracts including for goods, services, or credit. Although the bill uses the phrase "dispute resolution," this encompasses arbitration agreements.

While well-intentioned, SB 82 threatens the ability of both consumers and businesses to use arbitration, which is a faster, less costly alternative to expensive courtroom litigation, benefiting all parties as well as our courts.

Below are the reasons for our opposition:

1. **SB 82 would lead to increased litigation and costs and appears to do so retroactively.**

SB 82 significantly narrows the claims that could go to arbitration in connection with a contract. It limits dispute resolution solely to disputes pertaining to the "use, payment, or provision" of the good, service, money, or credit. Moreover, the bill does not specify that it applies to contracts newly entered after January 1, 2026, making it retroactive and would unconstitutionally impair contracts.

This language leaves many potential questions about what is within scope of the dispute resolution. For example, if a consumer purchases a television, does the return of the television fit within the use, payment, or provision of the television? Or if a consumer buys tickets to the symphony, and the consumer has a slip and fall at the venue, is this use or provision of the service?

The questions created by SB 82 could result in businesses requiring customers to enter multiple contracts for each interaction with a business, which will be burdensome and frustrating for both sides. SB 82 could also result in hundreds of thousands of new cases litigating a host of disputes or issues reasonably related to a sale, lease, or credit contract, and whether they are or are not within the scope of arbitration.

As a result, lawyers would collect thousands of billable hours, while simple consumer disputes that could have been resolved quickly are now bogged down in endless litigation – first over whether the dispute is arbitrable, and then finally to resolve the dispute itself.

At a time when Californians are struggling under economic pressures and the state has severe deficits, SB 82, if enacted, will mean more costs for everyone.

2. **Arbitration benefits consumers, businesses, and the courts.**

Arbitration is a critical means for reducing litigation that wastes the time and resources of consumers, the courts, and businesses. Small businesses in particular rely upon arbitration to keep costs low, as the expense of even one court trial can wipe out a small business.

Recent studies show that employees and consumers fare better with arbitration. Arbitration is faster and employees are three times more likely to win in arbitration than in court. Employees on average win twice as much in arbitration than in court, and consumers on average win more as well.[1]

The group that benefits the least from arbitration are lawyers. The more cases drag on in court, the higher their billable hours and attorneys' fees awards.

3. **SB 82 is likely preempted by the Federal Arbitration Act.**

The wide use of arbitration agreements in California also creates the potential for litigation against the State of California on the grounds that it is preempted by the FAA. State and federal courts have long held that the FAA supersedes state laws aimed at curtailing arbitration, be it overtly or in an ostensibly neutral way.

Recently, the Ninth Circuit struck down AB 51 (Gonzales, Ch. 7111, Stats. 2019) which attempted to restrict mandatory employment arbitration.[2] AB 51 was litigated for over three years, and the state ended up having to pay the plaintiff over $80,000 in attorneys' fees.

Notably, the Ninth Circuit found AB 51 was preempted by the FAA despite a provision that explicitly stated it was not intended to interfere with the FAA. Thus, similar language in SB 82 would not do away with preemption hurdles the bill faces under the FAA.

For the foregoing reasons, this coalition respectfully **OPPOSES SB 82**.

If you have any questions or need further information, please contact: Chris Micheli at (916) 743-6802, cmicheli@snodgrassmicheli.com.

---

[1] Nam D. Pham, Ph.D. and Mary Donovan, *Fairer, Faster, Better III: An Empirical Assessment of Consumer and Employment Arbitration*, March 2022. https://instituteforlegalreform.com/wp-content/uploads/2022/03/Fairer-Faster-Better-III.pdf.
[2] *Bonta*, 62 F.4th 473.