

# Governor Brown Signed Bill Amending a Key Term in the California Arbitration Act

**Jackson Lewis**

Article By

[Jessica B. Armijo](#)

[Jackson Lewis P.C.](#)

[California Workplace Law Blog](#)

- [ADR / Arbitration / Mediation](#)
- [Election Law / Legislative News](#)
- [California](#)

Friday, July 20, 2018

[California Assembly Bill 3247](#) amends the California Arbitration Act (Cal. Code Civ. Proc. § 1280 et seq.) by replacing the current term revocation with rescission. The bill removes any potential ambiguity by inserting the proper terminology.

On July 16, 2018, California Governor Jerry Brown signed into law Assembly Bill 3247 (“AB 3247”), which amends the California Arbitration Act (Cal. Code Civ. Proc. § 1280 et seq.), specifically, section 1281.2 of the California Code of Civil Procedure. Effective January 1, 2019, section 1281.2 will now state that a court may not enforce an arbitration agreement if “grounds exist for **rescission** of the agreement, [emphasis added]” as opposed to the prior language which called for “grounds [to] exist for the **revocation** of the agreement [emphasis added].” (Assem. Bill No. 3247 (2017-2018 Reg. Sess.)) The bill also makes other non-substantive changes.

Existing law currently requires a court, on petition of a party to an arbitration agreement alleging: (1) the existence of a written agreement to arbitrate a controversy and (2) that a party to the agreement refuses to arbitrate the controversy, to order the petitioner and the respondent to arbitrate the controversy if the court determines that an agreement to arbitrate exists, unless the court makes other determinations, including, among other things, that grounds exist for the revocation of the agreement. (Code Civ. Proc. § 1281.2.)

As the California Supreme Court observed in *Armendariz v. Foundation Health*

*Psychcare Services, Inc.* (2000) 24 Cal. 4th 83, 98, **revocation** of a contract is a misnomer because only offers to create a contract can be **revoked**. If an offer is **revoked**, there is by definition no contract or agreement. Once a contract has been formed, it is only undone by **rescission**. Armendariz was further cited in the Assembly Committee analysis. (Assem. Com. on Judiciary, Analysis of Assem. Bill No. 3247 (2017-2018 Reg. Sess.) as amended April 30, 2018.) Moreover, if the current **revocation** language is taken literally, there may be situations where a court upholds an arbitration agreement when grounds for **rescission** exist (such as fraud, misrepresentation, mistake, or a lack of capacity to content), but which do not also constitute grounds for **revocation**. AB 3247 also resolves that potential issue.

Jackson Lewis P.C. © 2019

**Source URL:** <https://www.natlawreview.com/article/governor-brown-signed-bill-amending-key-term-california-arbitration-act>