

**First Regular Session
Seventy-Seventh General Assembly
STATE OF SAN ANDREAS**

ENGROSSED

LLS NO. 26-0737.02 Gabby Pizzola x2917

HOUSE BILL 26-032

SENATE SPONSORSHIP

Daugherty

HOUSE SPONSORSHIP

Gomes, Cardenas

House Committees

Judiciary

Senate Committees

Not assigned

A BILL FOR AN ACT

CONCERNING THE LIMITATION OF MANDATORY ARBITRATION AGREEMENTS, AND, IN CONNECTION THEREWITH, ENSURING ACCESS TO THE COURTS FOR DISPUTE RESOLUTION.

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <https://saleg.uscgov.com>)

This bill limits the use of mandatory pre-dispute arbitration agreements in employment, consumer, housing, and financial service contracts. The bill provides that such agreements are void and unenforceable when imposed as a condition of employment, service, or access to housing.

Shading denotes HOUSE amendment. Underlining denotes SENATE amendment.
Capital letters or bold & italic numbers indicate new material to be added to existing law.
Dashes through the words or numbers indicate deletions from existing law.

The bill permits arbitration only where all parties voluntarily agree after a dispute arises or in limited commercial circumstances involving parties of comparable bargaining power. The bill preserves the right of individuals to bring actions in court, participate in class actions, and seek judicial remedies. The bill also establishes disclosure requirements for permissible arbitration agreements and authorizes enforcement by the attorney general and private parties.

1 *Be it enacted by the General Assembly of the State of San*

2 *Andreas:*

3 **SECTION 1. SHORT TITLE.** This act shall be known and may
4 be cited as the “Fair Access to Courts Act.” **SECTION 2.**

5 **LEGISLATIVE DECLARATION.** The general assembly hereby
6 finds and declares that: (a) Mandatory arbitration agreements are
7 frequently imposed in employment and consumer contracts as a
8 condition of participation, including through standardized or
9 adhesion contracts; (b) Such agreements often limit access to the
10 courts and reduce transparency, limit public accountability, and
11 restrict the development of legal precedent in dispute resolution;
12 (c) Individuals should retain meaningful access to a judicial forum
13 for the resolution of disputes; and (d) It is therefore necessary to
14 limit the use of mandatory arbitration and ensure that arbitration is
15 used only when knowingly and voluntarily agreed to, free from
16 coercion, misrepresentation, or unequal bargaining pressure.

17 **SECTION 3. DEFINITIONS.** For the purposes of this act, unless
18 the context otherwise requires: (a) “Arbitration agreement” means
19 an agreement requiring a dispute to be resolved by arbitration
20 rather than in a court of law, including any clause that limits
21 participation in class or collective proceedings. (b) “Pre-dispute
22 arbitration agreement” means any arbitration agreement entered
23 into before a dispute arises. (c) “Covered contract”, whether
24 written, electronic, or implied, including any modification,
25 renewal, or extension thereof, means any agreement involving: (I)

1 Employment; (II) Consumer goods or services; (III) Housing or
2 tenancy; or (IV) Insurance or financial services, including
3 banking, lending, credit, and investment services. (d)
4 “Post-dispute arbitration” means arbitration agreed to by all
5 parties after a dispute has arisen. (e) ‘Knowing and voluntary’
6 means assent given with clear understanding of the rights waived
7 and without material imbalance in bargaining power. (f)
8 ‘Adhesion contract’ means a standardized contract drafted by one
9 party and presented to the other on a take-it-or-leave-it basis
10 without a meaningful opportunity to negotiate. **SECTION 4.**
11 **PROHIBITION ON PRE-DISPUTE ARBITRATION.** (a) A
12 person or entity shall not directly or indirectly require a
13 pre-dispute arbitration agreement as a condition of: (I)
14 Employment or continued employment, including as a condition
15 of promotion, compensation, or receipt of benefits; (II) The
16 purchase or use of consumer goods or services, including through
17 clickwrap or browsewrap agreements; (III) Access to housing or
18 rental agreements; (IV) Access to financial or insurance services;
19 or (V) The continued use of a digital platform, application, or
20 online service. (b) Any pre-dispute arbitration agreement entered
21 into in violation of this section is void and unenforceable, and
22 shall not be severable from the remainder of the contract where
23 such agreement was a material term as contrary to public policy,
24 and any dispute arising under such contract shall be adjudicated in
25 a court of competent jurisdiction. **SECTION 5. PERMITTED**
26 **ARBITRATION.** (a) Arbitration may be used only where all
27 parties voluntarily agree after a dispute has arisen, and such
28 agreement shall be revocable by any party within seven days of
29 execution. (b) Arbitration may also be used in disputes between
30 commercial entities of comparable bargaining power as
31 demonstrated by the totality of the circumstances, where the
32 agreement: (I) Is individually negotiated, and not presented on a
33 take-it-or-leave-it basis; (II) Clearly discloses the waiver of the

1 right to a judicial forum; and (III) Provides for a neutral arbitrator,
2 not compensated by the corporate entity, or person(s) hired from
3 the corporate entity seeking arbitration, and reasonable discovery
4 procedures. (c) This section does not apply where arbitration is
5 required by federal law, including where preemption applies
6 under the Federal Arbitration Act. (d) Nothing in this section shall
7 be construed to permit arbitration agreements that waive
8 substantive statutory rights. **SECTION 6. PRESERVATION OF**
9 **COURT ACCESS.** (a) Any person subject to an agreement
10 prohibited under this act retains the right to: (I) Bring an action in
11 a court of competent jurisdiction, notwithstanding any agreement
12 to the contrary; (II) Participate in a class or collective action as
13 otherwise permitted by law, and no agreement may waive such
14 participation prior to the existence of a dispute; and (III) Seek
15 public injunctive relief where authorized by law (b) Any waiver
16 of rights described in this section is void and unenforceable, and
17 any such provision shall be severed in favor of preserving court
18 access. (c) Any ambiguity in an agreement shall be construed in
19 favor of access to a judicial forum. (d) Courts shall resolve any
20 doubts concerning the enforceability of arbitration agreements in
21 favor of permitting access to judicial proceedings. **SECTION 7.**
22 **DISCLOSURE REQUIREMENTS.** (a) Any arbitration agreement
23 permitted under this act shall: (I) Be in writing, signed or
24 explicitly electronically affirmed by all parties; (II) Be clear and
25 conspicuous, in at least twelve-point font, or its digital equivalent;
26 (III) State that arbitration is voluntary and not required as a
27 condition of service or employment; and (IV) Be provided in the
28 primary language of the party against whom enforcement is
29 sought, where reasonably practicable. (b) Failure to comply with
30 this section renders the agreement unenforceable. (c) The party
31 seeking to enforce an arbitration agreement shall bear the burden
32 of proving compliance with this section. **SECTION 8.**
33 **ENFORCEMENT.** (a) The attorney general, including through

1 civil penalties not to exceed \$10,000 per violation, may bring an
2 action to enforce this act. (b) A person aggrieved by a violation of
3 this act may bring a civil action, individually or as part of a class
4 or collective action, for: (I) Declaratory or injunctive relief; (II)
5 Actual damages, including statutory damages of not less than
6 \$1,000 per violation; and (III) Reasonable attorney fees and court
7 costs. (c) A prevailing plaintiff shall be entitled to reasonable
8 attorney fees and costs, and a prevailing defendant may recover
9 such fees only where the action was frivolous or brought in bad
10 faith. **SECTION 9. SEVERABILITY.** If any provision of this act
11 or its application to any person or circumstance is held invalid,
12 such invalidity does not affect other provisions of the act that can
13 be given effect without the invalid provision or application.
14 **SECTION 10. EFFECTIVE DATE.** Act subject to petition –
15 effective date. This act takes effect on August 18, 2026, assuming
16 the general assembly adjourns sine die on May 18, 2026; except
17 that, if a veto petition is filed pursuant to Article II, Section 15 of
18 the state constitution against this act or an item, section, or part of
19 this act within such period, then the act, item, section, or part will
20 not take effect unless approved by the people at the general
21 election to be held in November 2026 and, in such case, will take
22 effect on the date of the official declaration of the vote thereon by
23 the governor.