Tarrant Bell Property, LLC v. Superior Court

Supreme Court of California
February 10, 2011, Filed
S179378

Case Summary

Procedural Posture
Petitioners, current and former owners of a mobilehome park, sought review of a judgment from the Court of Appeal, Second Appellate District, Division Four (California), which denied mandate relief from respondent trial court's order denying their motion to appoint a referee under Code Civ. Proc., § 638, in a dispute involving real party in interest residents' allegations of substandard living conditions.

Overview
The lease agreements between the owners and many of the residents contained predispute reference agreements. In opposing the motion, the residents argued that because some of the lease agreements did not provide for reference, the trial court should deny the motion as to all residents in order to avoid the risk of conflicting rulings on common issues of law and fact. The trial court refused to appoint a referee, noting the possibility of inconsistent judgments and reasoning that the purposes of § 638 would not be promoted by a general reference of some claims and not others. The court held that the trial court had discretion to refuse to enforce the reference provisions, based on its concerns about judicial economy and the possibility of conflicting rulings, and did not abuse its discretion. Section 638 did not require a trial court to appoint a referee simply because the parties

Subsequent History: Reported at Tarrant Bell Property LLC v. S.C. (Abaya), 2011 Cal. LEXIS 1500 (Cal., Feb. 10, 2011)

Prior History: [****1] Superior Court of Alameda County, No. HG08418168, George C. Hernandez, Jr., Judge. Court of Appeal, Second Appellate District, Division Four, Nos. A125496, A125714.


Core Terms
predispute, parties, appoint, trial court, arbitration, refuse to enforce, real party in interest, legislative history, italics, courts, superior court, mandatory, lease, court finds, defendants'

Reporter
51 Cal. 4th 538 *; 247 P.3d 542 **; 121 Cal. Rptr. 3d 312 ***; 2011 Cal. LEXIS 1354 ****
had entered into an otherwise valid predispute reference agreement. The use of the word "may" in § 638 indicated that appointment of a referee was discretionary. Moreover, the legislative history made clear that § 638 gave trial courts discretion not to enforce valid reference agreements.

Therefore, a court may properly consider other indicia of legislative intent, including relevant legislative history.

Civil Procedure > Judicial
Officers > Referees > Appointment of Referees

**HN3[▲]** Referees, Appointment of Referees

Code Civ. Proc., § 638, does not require a court to appoint a referee simply because the parties have entered into an otherwise valid predispute reference agreement.

**Outcome**
The court affirmed the judgment of the court of appeal.

**LexisNexis® Headnotes**

Civil Procedure > Judicial
Officers > Referees > Appointment of Referees

**HN1[▲]** Referees, Appointment of Referees

Governments > Legislation > Interpretation

**HN2[▲]** Legislation, Interpretation

Courts ordinarily construe the word "may" as permissive and the word "shall" as mandatory, particularly when a single statute uses both terms. In other words, when the Legislature has used both "shall" and "may" in close proximity in a particular context, a court may fairly infer the Legislature intended mandatory and discretionary meanings, respectively. Nevertheless, in determining whether the Legislature intended a statute to be mandatory or permissive, use in the statute of "may" or "shall" is merely indicative, not dispositive or conclusive.

**Headnotes/Summary**

**Summary**

CALIFORNIA OFFICIAL REPORTS
SUMMARY

The trial court denied a motion by current and former owners of a mobilehome park to appoint a referee (Code Civ. Proc., § 638) in a dispute involving residents' allegations of substandard living conditions. The lease agreements between the owners and many of the residents contained predispute reference agreements. In opposing the motion, the residents argued that because some of the lease agreements did not provide for reference, the trial court should deny the motion as to all residents in order to avoid the risk of conflicting rulings on common issues of law and fact. The trial court refused to appoint a referee, noting the possibility of inconsistent judgments and reasoning that the purposes of § 638 would not be promoted by a general reference of some claims and not others. (Superior Court of Alameda County, No. HG08418168, George C. Hernandez, Jr., Judge.) The Court of Appeal, First Dist., Div. Four, Nos. A125496, A125714, denied mandate relief.
The Supreme Court affirmed the judgment of the Court of Appeal. The court held that the trial court had discretion to refuse to enforce the reference provisions, based on its concerns about judicial economy and the possibility of conflicting rulings, and did not abuse its discretion. Section 638 does not require a trial court to appoint a referee simply because the parties have entered into an otherwise valid predispute reference agreement. The use of the word “may” in § 638 indicates that appointment of a referee is discretionary. Moreover, the legislative history makes clear that § 638 gives trial courts discretion not to enforce valid reference agreements. (Opinion by Chin, J., with Cantil-Sakuya, C. J., Kennard, Werdegar, Moreno, Corrigan, JJ., and Simons, J.,* concurring.) [*539]

**Headnotes**

CALIFORNIA OFFICIAL REPORTS

**HEADNOTES**

CA(I)[-leg] (1)

**Statutes § 35—Construction—Language—Words and Phrases—Particular Words— Shall and May.**

Courts ordinarily construe the word “may” as permissive and the word “shall” as mandatory, particularly when a single statute uses both terms. In other words, when the Legislature has used both “shall” and “may” in close proximity in a particular context, a court may fairly infer the Legislature intended mandatory and discretionary meanings, respectively. Nevertheless, in determining whether the Legislature intended a statute to be mandatory or permissive, use in the statute of “may” or “shall” is merely indicative, not dispositive or conclusive. Therefore, a court may properly consider other indicia of legislative intent, including relevant legislative history.

CA(2)[leg] (2)

**Referees § 1—Predispute Reference Agreements—Discretionary Enforcement.**


CA(3)[leg] (3)

**Referees § 1—Predispute Reference Agreements—Discretionary Enforcement.**

The trial court, in refusing to enforce predispute reference agreements, did not abuse its discretion under Code Civ. Proc., § 638, in considering the risk of inconsistent rulings and considerations of judicial economy.


**Counsel:** Hart King & Coldren, Robert S. Coldren, Robert G. Williamson, Jr., Daniel T. Rudderow; Carlson Calladine & Peterson and Asim Kishore Desai for Petitioners Tarrant Bell Property, LLC, and Monterey Coast, LP.

Gray • Duffy, John J. Duffy and Frank J. Ozello, Jr., for Petitioner Spanish Ranch I, L.P.

No appearance for Respondent.

Milstein, Adelman & Kreger, Mark A. Milstein, Fred M. Adelman and Mayo L. Makarczyk for Consumer Attorneys of California as Amicus Curiae on behalf of Real Parties in Interest.

June Babiracki Barlow and Neil Kalin for California Association of REALTORS as Amicus Curiae on behalf of Real Parties in Interest.


Opinion by: Chin

Opinion

[*313] [*543] CHIN, [*42] J.—We granted review in this case to decide whether, under Code of Civil Procedure section 638, 1 a trial court has discretion to refuse to enforce a predispute agreement providing that, in the event of dispute, a referee may hear and decide certain contested issues. The Court of Appeal held that a trial court has such discretion and that the trial court here properly exercised that discretion on the facts of this case. We agree with the Court of Appeal's holding and affirm its judgment.

**FACTUAL BACKGROUND**

In October 2008, 120 current and former lessees and residents of a mobilehome park in California (real parties in interest) sued the park's current and former owners (defendants) for failing properly to maintain the park's common areas and facilities and for otherwise subjecting park residents to substandard living conditions. [***314] The lease agreements between defendants and about 100 of the real parties in interest provide (1) the parties will submit to arbitration any tenancy dispute (with certain exceptions for actions by the owner), including claims regarding maintenance, condition, nature, or extent [****3] of the facilities, improvements, services, and utilities provided to the space, park, or common areas of the park; and (2) "[i]f these arbitration provisions are held unenforceable for any reason ... all arbitrable issues in any judicial proceeding will be subject to and referred on motion by any party or the court for hearing and decision by a referee (a retired judge or other person appointed by the court) as provided by California law, including” section 638. 2

[*541]

In December 2008, defendants moved to compel arbitration under section 1281.2 or, in the alternative, for appointment of a referee to hear the dispute under section 638, which provides in relevant part: **HN1**[****] “A referee may be appointed … upon the motion of a party to a written contract … that provides that any controversy arising therefrom shall be heard [**544] by a referee if the court finds a reference agreement exists between the parties: [¶] (a) To hear and determine any or all of the issues in an action or proceeding, whether of fact or of law, and

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* Associate Justice of the Court of Appeal, First Appellate District, Division Five, assigned by the Chief Justice pursuant to article VI, section 6 of the California Constitution.

1 All further unlabeled statutory references are to the Code of Civil Procedure.

2 The parties disagree as to the number of real parties in interest whose lease agreements contain these provisions. The precise number is not material here.
to report a statement [****4] of decision. [?] (b) To ascertain a fact necessary to enable the court to
determine an action or proceeding.” Real parties in
interest opposed the motion, arguing that the
arbitration provision was unenforceable for various
reasons and that, because some of their lease
agreements did not provide for arbitration or
reference, the court should deny defendants’ motion
as to all real parties in interest in order to avoid the
risk of conflicting rulings on common issues of law
and fact.

The trial court agreed with real parties in interest
and refused to compel arbitration or appoint a
referee under section 638. Regarding the latter
determination, it first noted the possibility of
“inconsistent judgments” were it to order reference
only as to real parties in interest who had signed a
predispute reference agreement, but, citing
Greenbriar Homes Communities, Inc. v. Superior
3d 371] (Greenbriar), found that that circumstance
was “not a proper basis for denying a motion for
general reference.” Nevertheless, as a matter of
discretion, the court refused to appoint a referee,
reasoning: “[H]is case the purposes of section
638 would not be promoted by a general Reference
[****5] of some claims and not others. [?] Ordering
two groups of real parties in interest to try
their cases in separate but parallel proceedings
would not reduce the burdens on this court or the
parties, result in any cost savings, streamline the
proceedings, or achieve efficiencies of any kind.
The parties would be required to conduct the same
discovery, litigate[,] and ultimately try the same
issues in separate but parallel forums. A general
reference would thus result in a duplication of
effort, increased costs, and potentially, delays in
resolution. Moreover, it would not reduce any
burden on this Court, which would almost certainly
have to hear, and decide, all of the same issues.”

Defendants petitioned for a writ of mandate seeking
to vacate the denial of their motion to appoint a

3 The Court [***315] of Appeal denied relief, finding [*542] that the trial court had
discretion to refuse to enforce the reference provisions because of the “possibility of conflicting
rulings on a common issue of law or fact” and “other circumstances related to considerations of
judicial economy,” specifically, “the duplication of efforts, increased costs, potential delays in
resolution, and an unmitigated burden [****6] on the superior court.”

We then granted defendants’ petition for review.

DISCUSSION

As they did in the Court of Appeal, defendants
argue here that, under section 638, where the
moving party shows the existence of a valid
reference agreement, a trial court has no discretion
to deny a reference motion based on concerns about
judicial economy or the possibility of conflicting
rulings on a common issue of law or fact. For
reasons explained below, we disagree.

CA(1) [?] (1) The starting point for determining
this issue of statutory interpretation—“the statutory
language” (People v. Cole (2006) 38 Cal.4th 964,
975 [44 Cal. Rptr. 3d 261, 135 P.3d 669])—does not
support defendants’ argument. As set forth
above, section 638 provides that a referee “may
be appointed” if, upon motion, a court finds that a
reference agreement exists between the parties “that
provides that any controversy arising therefrom
shall be heard by a referee.” (Italics added.) Under
“well-settled principle[s] of statutory construction,”
[****7] we “ordinarily” construe the
word “may” as permissive and the word “shall” as
mandatory, “particularly” when a single statute
uses both terms. (Common Cause v. Board of
Supervisors (1989) 49 Cal.3d 432, 443 [261 Cal.
Rptr. 574, 777 P.2d 610].) In other words, “[w]hen

3 Defendants separately appealed from the denial of their motion to compel arbitration. (§ 1294, subd. (a).) The Court of Appeal recently
affirmed the trial court’s decision. (Green v. Spanish Ranch 111 P.3d 350.)
the Legislature has, as here, used both ‘shall’ and ‘may’ in close proximity in a particular context, we may fairly infer the Legislature [+545] intended mandatory and discretionary meanings, respectively.” (In re Richard E. (1978) 21 Cal.3d 349, 353–354 [146 Cal.Rptr. 604, 579 P.2d 495].) Thus, the statutory language does not support defendants' view that section 638 required the trial court here to grant their motion and appoint a referee.

Nevertheless, as we have explained, in determining whether the Legislature intended a statute to be mandatory or permissive, use in the statute of “may” or “shall” is merely indicative, not dispositive or conclusive. (Jones v. Tracy School Dist. (1980) 27 Cal.3d 99, 118 [165 Cal. Rptr. 100, 611 P.2d 441].) Therefore, we may properly consider other indicia of legislative intent, including relevant legislative history. (Ibid.; People v. Ledesma (1997) 16 Cal.4th 90, 95 [65 Cal. Rptr. 2d 610, 939 P.2d 1310].)

[543]

As the Court of Appeal concluded, the legislative history of section 638 unmistakably shows a legislative intent to give trial [****8] courts discretion not to enforce valid reference agreements. Before 1982, section 638 provided in relevant part that “[a] reference may be ordered upon the agreement of the parties filed with the clerk, or judge, or entered in the minutes or in the docket.” (Stats. 1951, ch. 1737, § 93, p. 4117.) This provision was understood to authorize judicial enforcement only of postdispute reference agreements, i.e., those the parties enter into after the onset of litigation. (Legis. Counsel's Dig., Assem. Bill No. 3657, 6 Stats. 1982 (1981–1982 Reg. Sess.) Summary Dig., p. 152.) In 1982, to address enforcement of predispute reference agreements, an amendment to section 638 was proposed in the Legislature that would have added a new subdivision [***316] providing: “Parties to a written contract or lease may provide that any controversy arising therefrom will be heard by a move the court to compel the reference. If the court finds a reference agreement existing between the parties, the reference shall be ordered.” (Assembly Bill No. 3657 (1981–1982 Reg. Sess.) (Assem. Bill No. 3657), as introduced Mar. 18, 1982, italics added.) A legislative analysis of this proposed [****9] amendment explained that, under “[e]xisting law,” a court “may” appoint a referee “upon agreement of the parties to civil litigation,” and that the proposed amendment “would require a court to compel a reference if there is a pre-dispute agreement to refer.” (Assem. Com. on Judiciary, Analysis of Assem. Bill No. 3657, as introduced Mar. 18, 1982, p. 1.) In a “Staff Comments” section, the analysis then posed these questions: “Should not the court have the discretion to decide that, despite the existence of the pre-dispute agreement, the issues would be more properly or efficiently decided by the judge? Therefore, should not this bill create a presumption that a court should compel a reference when parties have contractually agreed to one, thereby permitting the court to determine that such a reference would be inappropriate?” (Id. at pp. 1–2, italics added.)

CA(2) (2) A few weeks later, the proposed new subdivision was deleted; in its place, after the then existing introductory language—“[a] reference may be ordered upon the agreement of the parties filed with the clerk, or judge, or entered in the minutes or in the docket”—the Legislature added the clause, “or upon the motion of a party to a written contract [****10] or lease which provides that any controversy arising therefrom shall be heard by a reference if the court finds a reference agreement exists between the parties.” (Assem. Amend. to Assem. Bill No. 3657, May 10, 1982.) A legislative analysis of the amended bill, after noting that under “[e]xisting law,” a court “may” appoint a referee “upon consent of the parties to civil litigation,” explained: “This bill [***44] would provide that the court could also order a reference upon the motion of a party to a written contract or lease that provided that any controversy arising from its terms
agreements.” (Sen. Com. on Judiciary, Analysis of Assem. Bill No. 3657, as amended May 10, 1982, pp. 1–2, italics added.) The analysis also explained that, in the view of the amendment’s “source,” courts “should be empowered to compel a reference if one party unilaterally decides not to abide by a prior reference agreement.” (Id. at p. 2, italics added.) This legislative history shows that the Legislature, in amending section 638 in 1982, consciously rejected language that [**546] would have imposed on courts a mandatory [****11] duty to enforce predispute reference agreements, and instead consciously chose permissive language—which is, in relevant part, substantively identical to the language of the current statute—that would give courts discretion to refuse to enforce such agreements. 4 It therefore confirms [***317] the conclusion the statutory language suggests: HN3[cheiden] section 638 does not require a court to appoint a referee simply because the parties have entered into an otherwise valid predispute reference agreement.

CA[3][cheiden] (3) This legislative history also confirms the Court of Appeal’s conclusion that the trial court, in refusing to enforce the predispute reference agreements, did not abuse its discretion in considering the risk of inconsistent rulings and considerations of judicial economy. As explained above, the legislative history shows that in revising the language of section 638’s 1982 amendment to make appointment of a referee under section 638 permissive rather than mandatory, the Legislature was responding to the suggestion that courts should “have the discretion to decide that, despite the existence of the pre-dispute agreement, the issues would be more properly or efficiently decided by the judge.? (Assem. Com. on Judiciary, Analysis of Assem. Bill No. 3657, supra, pp. 1–2.) The legislative history also shows that the Legislature amended the statute to relieve “court congestion” by “empower[ing]” courts “to compel a reference if one party unilaterally decides not to abide by a [predispute] reference agreement.” (Sen. Com. on Judiciary, Analysis of Assem. Bill No. 3657, supra, p. 2; see also Treo @ Kettner Homeowners Assn. v. Superior Court (2008) 166 Cal.App.4th 1055, 1066 [83 Cal. Rptr. 3d 318] [****13][1982 [545] amendment “was an attempt to lessen judicial delays that were at the time a serious problem”].) Given these circumstances, the trial court acted well within its discretion in basing its refusal to appoint a referee on the risk of inconsistent rulings and considerations of judicial economy.

In arguing otherwise, defendants rely on Greenbriar, supra, 117 Cal.App.4th 337, and Trend Homes, Inc. v. Superior Court (2005) 131 Cal.App.4th 950 [32 Cal. Rptr. 3d 411] (Trend Homes). In the former, because only 43 of 69 plaintiffs had signed predispute reference agreements, the trial court denied the defendant’s motion to appoint a referee, explaining that granting the motion “‘would cause [a] multiplicity of lawsuits.’” (Greenbriar, supra, at pp. 341–342.) The Court of Appeal reversed, finding no “statutory authorization” for refusing to enforce a predispute reference agreement because “of other pending or multiple actions.” (Id. at p. 348.) Similarly, in Trend Homes, where only 11 of 50 plaintiffs had signed predispute reference agreements, the Court of Appeal held that “the risk of multiple actions proceeding in different forums” was not a basis for denying the defendant’s motion to appoint a referee. (Trend Homes, supra, at p. 964.)

Neither [****14] decision is persuasive. In finding no “statutory authorization” for refusing to enforce
117 Cal.App.4th at p. 348), the court in Greenbriar failed to consider either the language or legislative history of section 638. This omission perhaps resulted from the plaintiffs' apparent failure in Greenbriar to rely on these considerations; as far as appears from the Greenbriar opinion, the plaintiffs there argued only that a court's discretion to refuse to enforce a predispute reference agreement "derive[s] from analogous statutory authority given courts under ... section 1281.2 to refuse to enforce arbitration agreements pending a court action between a party to the arbitration agreement and a third party." (Greenbriar, supra, at p. 346, italics added.) Whatever its cause, this failure to consider section 638's language and legislative history renders Greenbriar of little assistance. Trend Homes is even less helpful; there, in finding that courts lack discretion to refuse to enforce predispute reference agreements based on the risk of multiple actions, the court simply quoted Greenbriar and noted the plaintiffs' failure to cite any supporting authority. (Trend Homes, supra, 131 Cal.App.4th at p. 964.) For these reasons, defendants' reliance on these decisions fails. 5

[***15] [***12]

**DISPOSITION**

For the reasons explained above, we affirm the Court of Appeal's judgment.


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5 We disapprove Greenbriar Homes Communities, Inc. v. Superior Court, supra, 117 Cal.App.4th 337, and Trend Homes, Inc. v. Superior Court, supra, 131 Cal.App.4th 950, to the extent they are
inconsistent with our conclusion.

* Associate Justice of the Court of Appeal, First Appellate District, Division Five, assigned by the Chief Justice pursuant to article VI, section 6 of the California Constitution.