

When Capacity Controls: Court of Appeal Affirms Trial Court's Denial of Petition to  
Compel Arbitration Involving Resident of a Skilled Nursing Facility

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While California has a strong public policy in favor of arbitration as an expeditious and cost-effective way of resolving disputes, California law also requires that arbitration be consensual between the parties, given that mutual consent is an essential inclusion in the contract. *See, Gallo v. Wood Ranch, USA, Inc.* (2022) 81 Cal.App. 5<sup>th</sup> 621, 638. In order to reduce litigation risk, skilled nursing facilities often require that their residents sign arbitration agreements. Of course, a question can arise as to whether the resident has sufficient capacity. California *Probate Code* §§ 810-812 provides that a party lacks legal capacity to enter into a contract where deficits in the person's mental functioning significantly impair the ability to understand and appreciate the attendant consequences, and benefits, of the contract.

This issue came up in the case of Alga-Heyres v. Oxford Manor, LP (2023) Westlaw 2257761 ("Oxford case"). In the Oxford case, Cornelio Heyres ("Cornelio") had a stroke in 2009. He was hospitalized for two (2) weeks which was then followed by a month in a patient rehabilitation facility. He then entered Oxford Manor, a skilled nursing facility. Four (4) days after arriving at Oxnard Manor, Cornelio signed an arbitration agreement. Cornelio remained a resident at Oxford Manor until his death nine (9) years later. After Cornelio's death, a number of family members of Cornelio (the "Cornelio Plaintiffs") filed a lawsuit against Oxford Manor for elder abuse/neglect related Causes of Action. Oxford Manor then filed a Motion to Compel Arbitration based on the contract which Cornelio had signed four days after entering the facility.

The Cornelio Plaintiffs acknowledged that there was an arbitration contract, but argued that Cornelio lacked the cognition to consent at the time he signed the agreement. The Trial Court denied the Petition to Compel, reasoning it is more likely to be true than not at the time Cornelio was said to have signed the arbitration agreement that he had a mental deficit that significantly impaired his ability to understand and appreciate the consequences of entering into the arbitration agreement.

The Court of Appeal affirmed.

The Court of Appeal ruled that the Trial Court appropriately placed the burden on Oxford Manor to show that Cornelio had the capacity to enter into the agreement. The Court of Appeal further reviewed the record and noted that Cornelius scored well below the cognitive level necessary to solve complex problems, such as managing a checking account. It also noted that medical professionals at the hospital which had treated Cornelius

before going to Oxford Manor had concluded that Cornelius had deafness and receptive and expressive communication, memory and problem solving issues.

The Oxford case is important, as it demonstrates that, in attempting to enforce an arbitration agreement, the party petitioning to compel arbitration will have the burden of proof of demonstrating mutual consent and the capacity to consent.

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