#### JUDICIAL COUNCIL OF CALIFORNIA

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#### INVITATION TO COMMENT

#### LEG17-05

Title

Proposed Legislation (Technology): Electronic Service

Proposed Rules, Forms, Standards, or Statutes Amend Civil Code section 1719 and Code of Civil Procedure sections 405.22, 405.23, 594, 659, 660, and 663a

Proposed by

Information Technology Advisory Committee Hon. Sheila F. Hanson, Chair

**Action Requested** 

Review and submit comments by April 28, 2017

**Proposed Effective Date** 

January 1, 2019

Contact

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#### **Executive Summary and Origin**

The Information Technology Advisory Committee (ITAC) recommends amending section 1719 of the Civil Code and sections 405.22, 405.23, 594, 659, 660, and 663a of the Code of Civil Procedure. This legislative proposal would (1) authorize the courts to electronically serve a written demand for payment on the drawer of a bad check when the court is the payee of the check and the drawer of the check is accepting electronic service in the matter to which the check pertains; (2) authorize a party asserting a real property claim to electronically serve a notice of pendency of the action on other parties or owners when those parties or owners are already accepting electronic service in the action; (3) authorize electronic service of notices of intention to move for a new trial or vacate judgment; and (4) amend certain deadlines tied to dates of "mailing" to be tied instead to dates of "service." The proposal originates from ITAC's modernization project to amend statutes and California Rules of Court to facilitate electronic filing and service and to foster modern e-business practices.

#### **Background**

Code of Civil Procedure section 1010.6 (section 1010.6) authorizes electronic service in the superior courts. Under section 1010.6, the Judicial Council implemented rules for both permissive and mandatory electronic service. Legislation that the Judicial Council is sponsoring in 2017 will, if passed by the Legislature and signed by the Governor, codify certain electronic service provisions currently covered in the rules, including the addition of Code of Civil Procedure section 1013b to govern proof of electronic service. (Judicial Council of Cal., Adv.

The proposals have not been approved by the Judicial Council and are not intended to represent the views of the council, its Rules and Projects Committee, or its Policy Coordination and Liaison Committee.

These proposals are circulated for comment purposes only.

Com. Rep., *Judicial Council–Sponsored Legislation: Electronic Filing, Service, and Signatures* (Oct. 28, 2016).<sup>1</sup>)

#### The Proposal

This proposal builds on prior efforts to provide clarity about and foster the use of electronic service. To these ends, the proposal amends the Civil Code and the Code of Civil Procedure as detailed below.

Proposed amendments to Civil Code section 1719 would authorize the courts to electronically serve a written demand for payment when the court is the payee of a check passed on insufficient funds and the drawer of the check consents to or is require to accept electronic service

Civil Code section 1719 governs procedures and remedies available to a payee of a check passed on insufficient funds. Remedies include service charges and treble damages owed to the payee. (Civ. Code, § 1719 (a)–(b).) For damages, payees must make written demand for payment. (Civ. Code, § 1719(b).) When the payee is a court, Civil Code section 1719(g) allows only mailing of the demand and, in a dispute, allows damages only when a copy of the written demand is entered into evidence along with the "certificate of mailing" in the form provided for in Code of Civil Procedure section 1013a(4).

Civil Code section 1719(g) is at odds with Code of Civil Procedure section 1010.6(a)(3), which allows courts to "electronically serve any document issued by the court" when personal service is not required and when a party has consented or is required to accept electronic service. To resolve this incongruity, the proposal amends Civil Code section 1719(g) to add a provision that clearly permits a court to electronically serve a written demand on the drawer of a bad check when the court is the payee of a check passed on insufficient funds and the check relates to an action in which the drawer has consented or is required to accept electronic service. It also clarifies that proof of electronic service rather than proof of mailing is allowed. These changes will eliminate the need for a court to mail a demand when the drawer is already accepting electronic service of documents in the case to which the check pertains. This is a narrow exception to the requirement of mailing a demand.

The proposed amendment cross-references Code of Civil Procedure section 1013b, which will govern proof of electronic service and is part of Judicial Council–sponsored legislation in 2017. (Judicial Council of Cal., Adv. Com. Rep., *supra*, at pp. 6–7, 13.) If the legislation passes, section 1013b will supplant most of rule 2.251(i) of the California Rules of Court, which currently covers proof of electronic service. If the legislation does not pass, this proposal can be revised to amend section 1719(g) to cross-reference the California Rules of Court rather than Code of Civil Procedure section 1013b.

<sup>&</sup>lt;sup>1</sup> The legislative proposal was approved as part of the consent agenda of the Judicial Council's December meeting. (Judicial Council of Cal., agenda (Dec. 16, 2016), <a href="https://jcc.legistar.com/View.ashx?M=A&ID=463484&GUID">https://jcc.legistar.com/View.ashx?M=A&ID=463484&GUID</a> = 8E4B8E76-2D88-480D-843A-6576CC996914 (as of Dec. 27, 2016).

# Proposed amendments to Code of Civil Procedure sections 405.22 and 405.23 would authorize electronic service of a notice of pendency of an action involving a claim to real property where the adverse parties or owners consent or are required to accept electronic service

Code of Civil Procedure sections 405.22 and 405.23 govern service requirements for a notice of pendency of an action involving a claim to real property. A notice of pendency may be recorded in the office of the recorder in the county (or counties) in which the real property is situated. (Code Civ. Proc., § 405.20.) Such a notice is void and invalid as to any adverse party or owner of record absent proper service and proof of service. (Code Civ. Proc., § 405.23.) Under sections 405.22 and 405.23, the notice of pendency must be mailed by registered or certified mail, and the proof of service must be in the form and content specified by Code of Civil Procedure section 1013a, which governs proof of service by mail.

The proposal amends Code of Civil Procedure section 405.22 to clearly authorize a claimant to use electronic service for a notice of pendency in lieu of mailed service when the parties to whom the real property claim is adverse and owners of record have consented or are required to accept electronic service in the action to which the notice pertains. The proposal also amends Code of Civil Procedure section 405.23 to allow for proof of electronic service and not just proof of service by mail. These amendments are narrow in scope but will eliminate the need for mailing of a notice of pendency in situations where the persons involved are already accepting electronic service in the underlying action.

The proposed amendment to Code of Civil Procedure section 405.22 cross-references Code of Civil Procedure section 1013b, which is part of Judicial Council—sponsored legislation in 2017 and will govern proof of electronic service. If section 1013b is not enacted into law, this proposal can be revised to amend section 405.23 to cross-reference the California Rules of Court governing proof of electronic service instead.

### Proposed amendments to Code of Civil Procedure section 594 would authorize electronic service of a notice of trial or hearing

Code of Civil Procedure section 594 allows a party to bring an issue to trial or hearing in the absence of the adverse party. (Code Civ. Proc., § 594(a).) When the issue to be tried is an issue of fact, however, the court must first be satisfied that the adverse party had adequate notice (15 days for most trials and 5 days for unlawful detainers). (*Ibid.*) The Code of Civil Procedure states that the notice to the adverse party "shall by served by mail" by the court clerk, but if the court clerk does not do so, any party may serve the notice "by mail." (§ 594(b).) This proposal amends section 594 to clearly authorize electronic service and proof of electronic service in accordance with Code of Civil Procedure sections 1010.6 and 1013b.

The proposed amendment to section 594 cross-references Code of Civil Procedure section 1013b, which is part of Judicial Council—sponsored legislation in 2017 and which will govern proof of electronic service. If section 1013b is not enacted into law, this proposal can be revised

to amend section 594 to cross-reference the California Rules of Court governing proof of electronic service instead.

## Proposed amendments to Code of Civil Procedure sections 659, 660, and 663a would replace "mailing" with "service" to ensure consistency between these sections and Code of Civil Procedure section 664.5

In 2017, the Judicial Council will be sponsoring legislation to amend Code of Civil Procedure section 664.5 to allow notices of entry of judgment to be electronically served rather than mailed or personally served in certain actions. (Judicial Council of Cal., Adv. Com. Rep., *supra*, at pp. 6, 9.) Code of Civil Procedure sections 659, 660, and 663a all cross-reference section 664.5, and the proposal amends those provisions for consistency.

Amending Code of Civil Procedure section 659. Section 659 refers to section 664.5 in setting the deadline to file a notice of intention to move for a new trial, and specifically keys one deadline to the date of "mailing" of the notice of entry of judgment. (Code Civ. Proc., § 659(a)(2).) To keep sections 664.5 and 659 consistent, the proposal strikes "mailing" from section 659 and replaces it with "service." In addition, subsection (b) of section 659 states that the deadlines to file cannot be extended by order, stipulation, or provisions of the Code of Civil Procedure that extend time when service is by mail. Under Code of Civil Procedure section 1010.6(a)(4)(A)(i), electronic service also does not extend the time for filing a notice of intention to move for a new trial. Accordingly, the proposal amends section 659(b) to add that time cannot be extended by electronic service.

Amending Code of Civil Procedure section 660. Section 660 cross-references section 664.5 in setting a jurisdictional deadline for a court to rule on a motion for a new trial, and specifically keys one deadline to the date of "mailing" of the notice of entry of judgment. To keep sections 664.5 and 660 consistent, the proposal strikes "mailing" from section 660 and replaces it with "service."

Amending Code of Civil Procedure section 663a. Section 663a refers to section 664.5 in setting the deadline to file a notice of intention to move to vacate judgment, and specifically keys one deadline to the date of "mailing" of the notice of entry of judgment. (Code Civ. Proc., § 663a(a)(2).) Section 663a also cross-references section 664.5 in setting a jurisdictional deadline for a court to rule on a motion to vacate judgment, and specifically ties one deadline to the date of "mailing" of the notice of entry of judgment. (Code Civ. Proc., § 663a(b).) To keep sections 664.5 and 663a consistent, the proposal strikes "mailing" from section 663a and replaces it with "service."

Finally, subsection (c) of section 663a states that the deadlines to file cannot be extended by order, stipulation, or provisions of the Code of Civil Procedure that extend time when service is by mail. Under Code of Civil Procedure section 1010.6(a)(4)(A)(ii), electronic service also does not extend the time for filing a notice of intention to move to vacate judgment. Accordingly, the proposal amends section 663a(c) to add that time cannot be extended by electronic service.

#### **Alternatives Considered**

The alternative to the proposed amendments would be to preserve the status quo. However, the status quo is inconsistent with ITAC's project to modernize statutes to promote modern e-business practices and with the goal to ensure cohesion between Judicial Council—sponsored legislation and related statutes.

#### Implementation Requirements, Costs, and Operational Impacts

The proposal should provide more consistency and clarity in the use of electronic service in the areas covered by Civil Code section 1719 and Code of Civil Procedure sections 405.22, 405.23, 594, 659, 660, and 663a. The proposal is unlikely to result in additional costs.

#### **Request for Specific Comments**

In addition to comments on the proposal as a whole, the advisory committee is interested in comments on the following:

• Does the proposal appropriately address the stated purpose?

The advisory committee also seeks comments from *courts* on the following cost and implementation matters:

- Would the proposal provide cost savings? If so please quantify.
- What would the implementation requirements be for courts? For example, training staff (please identify position and expected hours of training), revising processes and procedures (please describe), changing docket codes in case management systems, or modifying case management systems.
- Would three and a half months from Judicial Council approval of this proposal until its effective date provide sufficient time for implementation?
- How well would this proposal work in courts of different sizes?

#### **Attachments and Links**

1. Text of proposed amendments to Civil Code section 1719 and Code of Civil Procedure sections 405.22, 405.23, 594, 659, 660, and 663a, at pages 6–11

Section 1719 of the Civil Code and sections 405.22, 405.23, 594, 659, 660, and 663a of the Code of Civil Procedure would be amended, effective January 1, 2019, to read:

#### **Civil Code, § 1719.**

(a)(1) Notwithstanding any penal sanctions that may apply, any person who passes a check on insufficient funds shall be liable to the payee for the amount of the check and a service charge payable to the payee for an amount not to exceed twenty-five dollars (\$25) for the first check passed on insufficient funds and an amount not to exceed thirty-five dollars (\$35) for each subsequent check to that payee passed on insufficient funds.

(2) Notwithstanding any penal sanctions that may apply, any person who passes a check on insufficient funds shall be liable to the payee for damages equal to treble the amount of the check if a written demand for payment is mailed by certified mail to the person who had passed a check on insufficient funds and the written demand informs this person of (A) the provisions of this section, (B) the amount of the check, and (C) the amount of the service charge payable to the payee. The person who had passed a check on insufficient funds shall have 30 days from the date the written demand was mailed to pay the amount of the check, the amount of the service charge payable to the payee, and the costs to mail the written demand for payment. If this person fails to pay in full the amount of the check, the service charge payable to the payee, and the costs to mail the written demand within this period, this person shall then be liable instead for the amount of the check, minus any partial payments made toward the amount of the check or the service charge within 30 days of the written demand, and damages equal to treble that amount, which shall not be less than one hundred dollars (\$100) nor more than one thousand five hundred dollars (\$1,500). When a person becomes liable for treble damages for a check that is the subject of a written demand, that person shall no longer be liable for any

(3) Notwithstanding paragraphs (1) and (2), a person shall not be liable for the service charge, costs to mail the written demand, or treble damages if he or she stops payment in order to resolve a good faith dispute with the payee. The payee is entitled to the service charge, costs to mail the written demand, or treble damages only upon proving by clear and convincing evidence that there was no good faith dispute, as defined in subdivision (b).

service charge for that check and any costs to mail the written demand.

(4) Notwithstanding paragraph (1), a person shall not be liable under that paragraph for the service charge if, at any time, he or she presents the payee with written confirmation by his or her financial institution that the check was returned to the payee by the financial institution due to an error on the part of the financial institution.

(5) Notwithstanding paragraph (1), a person shall not be liable under that paragraph for the service charge if the person presents the payee with written confirmation that his or her account had insufficient funds as a result of a delay in the regularly scheduled transfer of, or the posting of, a direct deposit of a social security or government benefit assistance payment.

- 1 (6) As used in this subdivision, to "pass a check on insufficient funds" means to make, 2 utter, draw, or deliver any check, draft, or order for the payment of money upon any 3 bank, depository, person, firm, or corporation that refuses to honor the check, draft, or 4 order for any of the following reasons:
  - (A) Lack of funds or credit in the account to pay the check.
- 8 (B) The person who wrote the check does not have an account with the drawee.
- 10 (C) The person who wrote the check instructed the drawee to stop payment on the check.
- 12 (b)–(c) \* \* \*

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- (d) In the case of a stop payment, a court may not award damages or costs under this
   section unless the court receives into evidence a copy of the written demand that, in that
   case, shall have been sent to the drawer and a signed certified mail receipt showing
   delivery, or attempted delivery if refused, of the written demand to the drawer's last
   known address.
- 19 20 (e)–(f) \* \* \*
  - (g)(1) Notwithstanding subdivision (a), if the payee is the court, the written demand for payment described in subdivision (a) may be mailed to the drawer by the court clerk. Notwithstanding subdivision (d), in the case of a stop payment where the demand is mailed by the court clerk, a court may not award damages or costs pursuant to subdivision (d), unless the court receives into evidence a copy of the written demand, and a certificate of mailing by the court clerk in the form provided for in subdivision (4) of Section 1013a of the Code of Civil Procedure for service in civil actions.
- 30 (2) In lieu of the mailing provisions of (g)(1), if the payee is the court and the check 31 passed on insufficient funds relates to an action in which the drawer has consented to 32 accept or is required to accept electronic service pursuant to Section 1010.6 of the Code 33 of Civil Procedure, the court clerk may serve the written demand electronically. 34 Notwithstanding subdivision (d), in the case of a stop payment where the demand is 35 electronically served by the court clerk, a court may not award damages or costs pursuant 36 to subdivision (d) unless the court receives into evidence a copy of the written demand, 37 and a certificate of electronic service by the court clerk in the form provided for in 38 subdivision (4) of Section 1013a of the Code of Civil Procedure as modified for 39 electronic service in accordance with Section 1013b of the Code of Civil Procedure. 40
  - (3) For purposes of this subdivision, in courts where a single court clerk serves more than one court, the clerk shall be deemed the court clerk of each court.

(h)-(k) \* \* \*

#### Code of Civil Procedure, § 405.22.

(a) Except in actions subject to Section 405.6, the claimant shall, prior to recordation of the notice, cause a copy of the notice to be mailed, by registered or certified mail, return receipt requested, to all known addresses of the parties to whom the real property claim is adverse and to all owners of record of the real property affected by the real property claim as shown by the latest county assessment roll. If there is no known address for service on an adverse party or owner, then as to that party or owner a declaration under penalty of perjury to that effect may be recorded instead of the proof of service required above, and the service on that party or owner shall not be required. Immediately following recordation, a copy of the notice shall also be filed with the court in which the action is pending. Service shall also be made immediately and in the same manner upon each adverse party later joined in the action.

(b) In lieu of the mailing provisions of (a), a claimant may serve the notice electronically in accordance with Section 1010.6 upon the parties to whom the real property claim is adverse and the owners of record provided that the parties to whom the real property claim is adverse and the owners of record have consented to accept or are required to accept electronic service pursuant to Section 1010.6 in the action to which the notice pertains.

#### Code of Civil Procedure, § 405.23.

Any notice of pendency of action shall be void and invalid as to any adverse party or owner of record unless the requirements of Section 405.22 are met for that party or owner and a proof of service in the form and content specified in Section 1013a <u>for service by mail or Section 1013b for electronic service</u> has been recorded with the notice of pendency of action.

#### Code of Civil Procedure, § 594.

(a) In superior courts either party may bring an issue to trial or to a hearing, and, in the absence of the adverse party, unless the court, for good cause, otherwise directs, may proceed with the case and take a dismissal of the action, or a verdict, or judgment, as the case may require; provided, however, if the issue to be tried is an issue of fact, proof shall first be made to the satisfaction of the court that the adverse party has had 15 days' notice of such trial or five days' notice of the trial in an unlawful detainer action as specified in subdivision (b). If the adverse party has served notice of trial upon the party seeking the dismissal, verdict, or judgment at least five days prior to the trial, the adverse party shall be deemed to have had notice.

(b) The notice to the adverse party required by subdivision (a) shall be served electronically in accordance with Section 1010.6 or by mail on all the parties by the clerk of the court not less than 20 days prior to the date set for trial. In an unlawful detainer action where notice is served electronically in accordance with Section 1010.6 or by mail, that service shall be electronically served or mailed not less than 10 days prior to the date set for trial. If notice is not served by the clerk as required by this subdivision, it may be served electronically in accordance with Section 1010.6 or by mail by any party on the adverse party not less than 15 days prior to the date set for trial, and in an unlawful detainer action where notice is served electronically in accordance with Section 1010.6 or by mail, that service shall be electronically served or mailed not less than 10 days prior to the date set for trial. The time provisions of Section 1010.6 and Section 1013 shall not serve to extend the notice of trial requirements under this subdivision for unlawful detainer actions. If notice is served by the clerk, proof thereof may be made by introduction into evidence of the clerk's certificate pursuant to subdivision (3) of Section 1013a, compliance with Section 1013b when service is electronic, or other competent evidence. If notice is served by a party, proof may be made by introduction into evidence of an affidavit or certificate pursuant to subdivision (1) or (2) of Section 1013a, compliance with Section 1013b when service is electronic, or other competent evidence. The provisions of this subdivision are exclusive.

#### Code of Civil Procedure, § 659.

(a) The party intending to move for a new trial shall file with the clerk and serve upon each adverse party a notice of his or her intention to move for a new trial, designating the grounds upon which the motion will be made and whether the same will be made upon affidavits or the minutes of the court, or both, either:

(1) After the decision is rendered and before the entry of judgment.

(2) Within 15 days of the date of mailing service of the notice of entry of judgment by the clerk of the court pursuant to Section 664.5, or service upon him or her by any party of written notice of entry of judgment, or within 180 days after the entry of judgment, whichever is earliest; provided, that upon the filing of the first notice of intention to move for a new trial by a party, each other party shall have 15 days after the service of that notice upon him or her to file and serve a notice of intention to move for a new trial.

(b) That notice of intention to move for a new trial shall be deemed to be a motion for a new trial on all the grounds stated in the notice. The times specified in paragraphs (1) and (2) of subdivision (a) shall not be extended by order, or stipulation, or by those provisions of Section 1013 that extend the time for exercising a right or doing an act where service is by mail, or those provisions of Section 1010.6 that extend the time for exercising a right or doing an act where service is electronic.

#### Code of Civil Procedure, § 660.

On the hearing of such motion, reference may be had in all cases to the pleadings and orders of the court on file, and when the motion is made on the minutes, reference may also be had to any depositions and documentary evidence offered at the trial and to the report of the proceedings on the trial taken by the phonographic reporter, or to any certified transcript of such report or if there be no such report or certified transcript, to such proceedings occurring at the trial as are within the recollection of the judge; when the proceedings at the trial have been phonographically reported, but the reporter's notes have not been transcribed, the reporter must upon request of the court or either party, attend the hearing of the motion and shall read his notes, or such parts thereof as the court, or either party, may require.

The hearing and disposition of the motion for a new trial shall have precedence over all other matters except criminal cases, probate matters and cases actually on trial, and it shall be the duty of the court to determine the same at the earliest possible moment.

Except as otherwise provided in Section 12a of this code, the power of the court to rule on a motion for a new trial shall expire 60 days from and after the mailing service of the notice of entry of judgment by the clerk of the court pursuant to Section 664.5 or 60 days from and after service on the moving party by any party of written notice of the entry of the judgment, whichever is earlier, or if such notice has not theretofore been given, then 60 days after filing of the first notice of intention to move for a new trial. If such motion is not determined within said period of 60 days, or within said period as thus extended, the effect shall be a denial of the motion without further order of the court. A motion for a new trial is not determined within the meaning of this section until an order ruling on the motion (1) is entered in the permanent minutes of the court or (2) is signed by the judge and filed with the clerk. The entry of a new trial order in the permanent minutes of the court shall constitute a determination of the motion even though such minute order as entered expressly directs that a written order be prepared, signed and filed. The minute entry shall in all cases show the date on which the order actually is entered in the permanent minutes, but failure to comply with this direction shall not impair the validity or effectiveness of the order.

#### Code of Civil Procedure, § 663a.

(a) A party intending to make a motion to set aside and vacate a judgment, as described in Section 663, shall file with the clerk and serve upon the adverse party a notice of his or her intention, designating the grounds upon which the motion will be made, and specifying the particulars in which the legal basis for the decision is not consistent with or supported by the facts, or in which the judgment or decree is not consistent with the special verdict, either:

(1) After the decision is rendered and before the entry of judgment.

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(2) Within 15 days of the date of mailing service of the notice of entry of judgment by the clerk of the court pursuant to Section 664.5, or service upon him or her by any party of written notice of entry of judgment, or within 180 days after the entry of judgment, whichever is earliest.

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(b) Except as otherwise provided in Section 12a, the power of the court to rule on a motion to set aside and vacate a judgment shall expire 60 days from the mailing service of the notice of entry of judgment by the clerk of the court pursuant to Section 664.5, or 60 days after service upon the moving party by any party of written notice of entry of the judgment, whichever is earlier, or if that notice has not been given, then 60 days after filing of the first notice of intention to move to set aside and vacate the judgment. If that motion is not determined within the 60-day period, or within that period, as extended, the effect shall be a denial of the motion without further order of the court. A motion to set aside and vacate a judgment is not determined within the meaning of this section until an order ruling on the motion is (1) entered in the permanent minutes of the court, or (2) signed by the judge and filed with the clerk. The entry of an order to set aside and vacate the judgment in the permanent minutes of the court shall constitute a determination of the motion even though that minute order, as entered, expressly directs that a written order be prepared, signed, and filed. The minute entry shall, in all cases, show the date on which the order actually is entered in the permanent minutes, but failure to comply with this direction shall not impair the validity or effectiveness of the order.

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(c) The provisions of Section 1013 extending the time for exercising a right or doing an act where service is by mail and the provisions of Section 1010.6 extending the time for exercising a right or doing an act where service is electronic shall not apply to extend the times specified in paragraphs (1) and (2) of subdivision (a).

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