FILED SUPERIOR COURT OF GUAM

IN THE SUPERIOR COURT OF GUAM

2005 JAN -7 AM 18: 39

CLERK OF COURT

CARMEN ARCEO LAGUANA and ROMY PETER LAGUANA,

CASE NO. CV0557-02

Plaintiffs,

DECISION AND ORDER

vs.

ROSIE VILLAGOMES PALISSON and MARIANAS PHYSICIANS GROUP,

Defendants.

INTRODUCTION

This matter originally came before the court on Defendants Rosie Villagomez Palisson and Marianas Physicians Group's ("Defendants") Motion to Dismiss or in the Alternative Stay Proceedings. On April 4, 2003, this Court denied Defendants' Motion to Dismiss and ruled that the Medical Malpractice Mandatory Arbitration Act, 10 G.C.A. 10100 et seq. ("the Act") was inorganic and unconstitutional as it violated the separation of powers doctrine. On July 20, 2004 the Supreme Court of Guam reversed this Court's decision and remanded the case to the trial court to consider Plaintiffs Carmen and Romy Laguana's ("Plaintiffs") remaining challenges to the Act and to reexamine Defendants' Motion to Dismiss. A hearing on remand was held before the Honorable Judge Steven S. Unpingco on October 22, 2004. Fredrick J. Kerley, Esq., represented the Plaintiffs, while Gary D. Hull, Esq. and Michael F. Phillips, Esq., appeared for Defendants Rosie Villagomez Palisson and Marianas Physicians Group, respectively. Having considered the parties' briefs, oral arguments, and the applicable law, the court now issues this Decision and Order.

ORIGINAL

BACKGROUND

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Plaintiff filed a medical malpractice suit against Defendants on April 16, 2002. The Complaint alleges the following: Plaintiff was under the treatment of Defendant Dr. Rosie Villagomez Palisson ("Palisson") between March 1999 and April 2001, during which time Palisson prescribed the drug procainamide. Plaintiff took the drug according to Palisson's orders until May 2001. On April 17, 2001, Plaintiff began her menstrual cycle, which did not stop. On April 30th, Plaintiff went to the Guam Memorial Hospital due to the heavy and abnormal bleeding. On May 8, 2001, Plaintiff underwent an emergency hysterectomy at GMH and on May 11, 2001, Plaintiff was medevaced to Honolulu for further treatment where she was diagnosed with the disease Lupus. Plaintiff alleges that she contracted Lupus because of excessive procainamide that was prescribed by Palisson. She also alleges that the hysterectomy was not necessary. At the hearing, Defendants denied these allegations, claiming that the amount of procainamide was not excessive and that the Lupus was not due to the drug. The Doctor was affiliated with the Marianas Physicians Group ("MPG"). Plaintiff sued Palisson and MPG for malpractice based on the negligent prescription of procainamide, delay in diagnosis of Lupus, and negligence in causing Plaintiff to have an unnecessary emergency hysterectomy. Plaintiff's husband is also suing for loss of consortium.

As stated above, Defendants moved to dismiss the Complaint based on the requirements of the Act. In the alternative, Defendants have moved for a stay pending arbitration pursuant to 10 G.C.A. § 10114. Plaintiff opposes the motion on the ground that the act is unconstitutional and inorganic. The Court now considers the remaining challenges to the Act posed by the Plaintiffs and the arguments of the Defendants in support of dismissal.

DISCUSSION

PLAINTIFFS' ARGUMENTS AGAINST DISMISSAL AND IN SUPPORT OF FINDING THE ACT UNCONSTITUTIONAL AND INORGANIC

In their original moving papers, Plaintiffs raised numerous arguments challenging the constitutionality and organicity of the Act and asserting the timeliness of their claims against the Defendants. Aside from their arguments concerning the Separation of Powers doctrine, Plaintiffs also asserted four other arguments against the validity of the Act. First, Plaintiffs argued that the

 Act's procedural requirements and penalties impinges on their entitlement to a jury trial.

Second, Plaintiffs contend that the Act's requirement of a greater than forty percent (40%) improvement over the arbitration award at trial potentially renders a jury verdict ineffective.

Third, Plaintiffs argued that the Act violates Equal Protection of the Laws with no satisfactory reason by drawing a distinction first between medical malpractice claimants and all other tort claimants, and by drawing a further distinction between medical malpractice claimants who improve upon the arbitration award by more than forty percent (40%) and are fully compensated and those who do not and are thus penalized instead of compensated. Fourth, the Plaintiffs assert that the Act's procedural requirements including a greater forty percent (40%) improvement over the arbitration award prevents open access to the courts.

In their Supplemental briefs, Plaintiffs placed more emphasis on the high costs associated with arbitrating this case with the American Arbitration Association ("AAA") and the fact that the AAA would no longer hear malpractice claims absent a post-dispute agreement to arbitrate. Plaintiffs submit that these two factors essentially leave them and other malpractice plaintiffs without a remedy and without a forum absent an agreement by both parties to submit to arbitration.

DEFENDANTS' ARGUMENTS IN SUPPORT OF DISMISSAL AND THE VALIDITY OF THE ACT

Defendants' original briefs in support of dismissal and in support of the validity of the Act focused on the Plaintiffs' failure to timely and properly file their demand for arbitration and the Plaintiffs' failure to sufficiently demonstrate how the Act is unconstitutional as applied or unconstitutional on its face. Regarding timeliness, Defendants assert that Plaintiffs never properly filed their demand for arbitration as required by the Act. The Plaintiffs, according to Defendants, never filed their demand with the AAA and failed to name a tribunal from which the demand purported to claim its jurisdictional authority.

In addition to being untimely, Defendants also argue that the Plaintiffs have failed to demonstrate how the Act violates due process, equal protection, or the entitlement to a jury trial. Defendants point out that the Plaintiffs have a very high burden to meet in order to sufficiently prove that the Act is unconstitutional. Defendants argue that under the rational basis standard of

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review, the Act is valid and does not violate any of the Constitutional doctrines proffered by Plaintiffs. Defendants further argue that since no fundamental right is at issue and since the Act is rationally related to the legitimate government interest of addressing the medical malpractice crisis on Guam, the provisions of the Act are valid. In other words, the entitlement to a jury trial and the right to open access to the courts may be limited. Regarding the purported high costs of arbitration, Defendants assert that Plaintiffs have failed to provide sufficient evidence to prove that the cost of litigation in this particular case is prohibitively high and instead has only proffered anecdotal evidence of a few isolated cases. The Defendants also point out that both parties are required to comply with the costs of arbitration and the over forty percent (40%) rule after arbitration. Lastly, Defendants maintain that under the Act, if any portion thereof is deemed unconstitutional, those portions may be severed pursuant to 10 GCA § 10147. At the very least, even if the forty percent (40%) rule were severed, the Plaintiffs would still be required to file their demand for arbitration, which they have failed to do.

In their supplemental briefs, the Defendants bolstered their argument that the Plaintiffs deliberately chose to ignore the requirements of the Act and instead have decided to challenge its validity. Defendants point out that even after three years have passed, the Plaintiffs still have not filed a proper demand for arbitration with the AAA. The Defendants further argue that the Plaintiffs could have sought a waiver of fees from the AAA but never attempted to do so. In short, Defendants submit that the Plaintiffs failed to timely file their demand for arbitration and have failed to demonstrate how the Act is unconstitutional as applied to them in particular. Lastly, Defendants assert that contrary to what the Plaintiffs have stated and the Supreme Court alluded to in their Opinion, the AAA would still be willing to hear this case in arbitration upon the completion and signature of a simple form.

THE ACT DOES NOT VIOLATE EQUAL PROTECTION, DUE PROCESS, OR THE ENTITLEMENT TO A JURY TRIAL

Although the Act is a lengthy and complicated procedural statute, an explanation of the background and contents of the Act is unnecessary because in this Court's previous decision the Court scrutinized the requirements of the Act. When a statute is challenged on either equal protection, access to the courts, or right to jury trial grounds, the first inquiry required is to

The Equal Protection Clause directs that "all persons similarly circumstanced shall be treated alike." The initial discretion to determine what is "different" and what is "the same" lies in the state legislatures. The reviewing courts must allow the legislatures "substantial latitude" in order to "account for limitations on the practical ability of the State to remedy every ill." In applying the Fourteenth Amendment to most forms of state actions, reviewing courts should "seek only the assurance that the classification at issue bears some fair relationship to a legitimate public purpose."

The Supreme Court, in Western & Southern Life Ins. Co. v. State Bd. of Equalization, 451 U.S. 648, 668 (1981), set forth a two step analysis for determining whether a challenged classification is rationally related to achieving a legitimate state purpose. First, it must be determined whether the challenged legislation has a legitimate purpose. If it does, the reviewing court must ascertain whether it was "reasonable for the lawmakers to believe that use of the challenged classification would promote that purpose[.]"

Hoffman, 767 F.2d at 1436-1437 (citations omitted).

[R]ational-basis review in equal protection analysis "is not a license for courts to judge the wisdom, fairness, or logic of legislative choices." Nor does it authorize "the judiciary [to] sit as a superlegislature to judge the wisdom or desirability of legislative policy determinations made in areas that neither affect fundamental rights nor proceed along suspect lines." For these reasons, a classification neither involving fundamental rights nor proceeding along suspect lines is accorded a strong presumption of validity. Such a classification cannot run afoul of the Equal Protection Clause if there is a rational relationship between the disparity of treatment and some legitimate governmental purpose. Further, a legislature that creates these categories need not "actually articulate at any time the purpose or rationale supporting its

classification." Instead, a classification "must be upheld against equal protection challenge if there is any reasonably conceivable state of facts that could provide a rational basis for the classification."

A State, moreover, has no obligation to produce evidence to sustain the rationality of a statutory classification. "[A] legislative choice is not subject to courtroom factfinding and may be based on rational speculation unsupported by evidence or empirical data." A statute is presumed constitutional, see supra, at 2642, and "[t]he burden is on the one attacking the legislative arrangement to negative every conceivable basis which might support it," whether or not the basis has a foundation in the record. Finally, courts are compelled under rational-basis review to accept a legislature's generalizations even when there is an imperfect fit between means and ends. A classification does not fail rationalbasis review because it "is not made with mathematical nicety or because in practice it results in some inequality." "The problems of government are practical ones and may justify, if they do not require, rough accommodations-illogical, it may be, and unscientific."

Heller v. Doe by Doe, 509 U.S. 312, 319 (1993) (citations omitted).

Regarding due process

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It is well-established that the procedural and substantive requirements of the due process clause are analytically distinct—a procedurally flawed policy can pass substantive muster, and, conversely, a procedurally flawless policy can be substantively unacceptable. When reviewing the substance of legislation or governmental action that does not impinge on fundamental rights, moreover, we do not require that the government's action actually advance its stated purposes, but merely look to see whether the government could have had a legitimate reason for acting as it did.

Wedges/Ledges of California, Inc. v. City of Phoenix, Ariz., 24 F.3d 56, 66 (9th Cir. 1994).

Based on the above, it is readily apparent that the burden on Plaintiffs is an extremely high one requiring them "to negative every conceivable basis which might support" the legislation. Heller, 509 U.S. at 320. The Guam Legislature was not required to state its intent or rationale behind the Act or to state the interest furthered by the Act. In order to be upheld, the Act merely has to have a reasonable or rational relationship with some legitimate government

interest. After reviewing the arguments of the parties and the applicable standards of review announced in numerous federal and state cases, the Court finds that the Plaintiffs have failed to meet their burden of proving that the Act has no rational relationship to any legitimate government interest.

After reviewing the language of the Act, the language of its predecessor P.L. 13-115, the holding in Awa v. Guam Memorial Hospital Authority, 726 F.2d 594 (9th Cir. 1984), and the Committee Report on Bill No. 325 (what eventually became the Act), it appears quite clear that the Act was intended to address the rising costs of malpractice insurance and to help provide for the prompt, efficient, and effective resolution of medical malpractice claims as opposed to litigation. Reasons such as these have been consistently upheld as legitimate government interests thereby satisfying the first step of the rational basis test. See e.g. Hoffman, 767 F.2d 1437; Attorney General v. Johnson, 385 A.2d 57, 76 (Md. 1978.) (overruled on other grounds). Turning to the second step of the test, the Court must determine whether the provisions of the Act are rationally related to those or any legitimate government interests.

The Act requires all medical malpractice claimants to first submit their claim to mandatory arbitration with the AAA. 10 GCA §§ 10102 and 10103. After all arbitration procedure and proceedings have taken place, the Act then requires that the arbitrators promptly render an award. 10 GCA § 10132. Thereafter, any party may move to confirm, vacate, or modify the award in the Superior Court of Guam. 10 GCA §§ 10135, 10136, 10137. In addition to these alternatives, any party may appeal the award and request for a trial de novo in the Superior Court. 10 GCA § 10139. If a party chooses to appeal the arbitration award, he or she must improve the award by forty percent (40%) or more otherwise that party will be subject to harsh sanctions including, costs, fees, attorney's fees, and costs of jurors. 10 GCA § 10143.

The Court finds that these strict and harsh requirements under the Act are rationally related to the legitimate government interest in reducing medical malpractice insurance and to promptly resolve medical malpractice claims in the following ways. First, arbitration generally is a much more prompt and efficient forum to resolve disputes. Parties do not have to comply with the strictures of the Rules of Civil Procedure, Rules of Evidence, or many of the other

formalities involved with litigation. See e.g., 10 GCA §§ 10116-10121. In other words, the arbitration process is significantly less formal than litigation. The lack of formality may provide for a more efficient and effective collection, presentation, and consideration of evidence. Such is not the case in the Superior Court, where discovery generally takes months, motions can take years to resolve, and trial may not take place until several years after the initial complaint is filed.

Second, the prevailing party requirement of a forty percent (40%) or greater improvement and the harsh sanctions involved with that may have been intended to encourage finality of disputes and discourage the endless resolution of malpractice claims via appealing arbitration decisions and awards. By enacting this mechanism for appeal, parties will have to seriously consider the ramifications involved with an appeal. As a result, it is predictable that fewer parties would appeal arbitration decisions thereby resolving malpractice claims much faster.

Third, although the Act requires parties to go through arbitration and to consider harsh sanctions before appealing an arbitration award, the Act does allow any party to move to modify, confirm, or vacate the award in the Superior Court. Moreover, the Act does not prohibit a party from appealing an award but instead only requires one to seriously consider the possible ramifications of an appeal. Thus, judicial relief and jury trials are not completely foreclosed by the Act.

Fourth, the requirements, costs, and penalties contained in the Act are equally applicable to all parties. The Act does not favor one party over another when it comes to costs and penalties. Both parties must share in the expense of arbitration and both parties are equally subject to the possible penalties of an unsuccessful appeal. 10 GCA §§ 10107 and 10143.

Fifth, the prompt resolution of malpractice claims coupled with the lower possibility of an appeal may lead to reduced litigation and reduced jury awards in malpractice cases. This, of course, could lead to a reduction in malpractice cases going to court which in turn could lead to lower medical malpractice insurance for health care providers.

In light of the above analysis, the Court finds that the Act does have a rational relationship to some legitimate governmental interest. Although the Act may not efficiently and

effectively produce the intended results or advance the governmental interest, this Court's inquiry is limited only to the extent that some rational basis exists for the Act. Since the Court has found that the Act is rationally related to a legitimate governmental interest, the Act is deemed constitutional and organic under the rational basis standard of review.

At this juncture, it appears appropriate to address the arguments and cited authority presented by the Plaintiffs. Although the Plaintiffs cited to several cases and proffered what appeared to be strong arguments against the validity of the Act, upon close review, the Court finds that much of what the Plaintiffs presented was either inapposite or unsupported by sufficient evidence. At the outset, the Court must point out that the Plaintiffs were unable to cite to any case from any jurisdiction which invalidated a mandatory medical malpractice arbitration law based on the prohibitive expense of arbitration. Furthermore, Plaintiffs were unable to cite to any case from any jurisdiction which invalidated a mandatory medical malpractice arbitration law because it imposed sanctions for an appellant's failure to improve upon an award by a certain percentage. Additionally, Plaintiffs were unable to cite to any case which invalidated a mandatory medical malpractice arbitration law utilizing a rational basis standard, because it violated the equal protection and due process clauses of the U.S. Constitution, infringed upon open access to the courts, or infringed upon the entitlement to a jury trial.

What the Plaintiffs did cite to were cases in which arbitration acts were invalidated because the acts violated certain portions of a state's constitution. See e.g. Mattos v. Thompson, 42 A.2d 190 (Pa. 1980); Sofie v. Fibreboard Corp., 771 P.2d 711 (Wash. 1989). Also, Plaintiffs cited to cases which dealt with limits on recovery or damage caps as well as medical review panels which outright prevented some malpractice cases from ever going to court. See e.g. Sofie, 42 A.2d 190; Moore v. Mobile Infirmary Assn., 592 So. 2d 156 (Ala. 1991); Hoem v. State, 756 P.2d 780 (Wyo. 1988). Such egregious infringement on the role and effect of the jury is simply not present in this case. As to the prohibitive expense of arbitration, Plaintiffs were only able to cite to cases which held certain private arbitration agreements, as opposed to mandatory arbitration laws, unenforceable due to the purportedly high cost of arbitration. See e.g. Gutierrez v. Autowest, Inc., 114 Cal. App. 4th 77 (2003); Shankle v. B-G Maintenance Management of

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Colorado, 163 F.3d 1230 (10th Cir. 1999); Green Tea Financial Corp. v. Randolph, 531 U.S. 79 (2000). In short, most of Plaintiff's substantive authority clearly did not apply to the facts of this case and were therefore of no real significance to the Court.

As stated previously, Plaintiffs' supplemental briefs dealt more with the high costs of arbitration and how such costs affected the entitlement to a jury trial and open access to the courts. However, despite the affidavits from Attorney Keogh concerning other cases wherein the high costs of arbitration effectively prohibited malpractice claims from going forward, the Plaintiffs in this case have failed to present sufficient evidence to prove that the cost of arbitrating this particular dispute was prohibitively too expensive. Instead, the Plaintiffs have presented estimates of what the arbitration would have likely cost as well as the Plaintiffs' assertion that pursuing a fee waiver from the AAA would have been futile. However, what is not disputed is the fact that the Plaintiffs never filed their demand for arbitration with the AAA and therefore could not know what the exact cost of arbitration would actually be and since the Plaintiffs never pursued a fee waiver, they could not have possibly known for sure whether they would have been rejected. As pointed out by the Defendants, the fee waiver policy was not subject to a hard and fast rule but instead took into consideration more subjective factors. Since the Plaintiffs were unable to present sufficient authority or evidence in support of their prohibitive expense argument, the Court finds that this argument is either not ripe for consideration as more evidence of cost may be necessary or that analysis would be based on conjecture and assumption of facts not in evidence.

Based upon the above, the Court hereby finds the Act Constitutional and Organic facially and as applied.

SINCE THE PLAINTIFFS TIMELY FILED THEIR COMPLAINT DISMISSAL IS NOT WARRANTED

On April 16, 2002, Plaintiffs filed a Complaint in the Superior Court and also filed what they purported to be a demand for arbitration. According to the assertions made in the parties' briefs, Plaintiffs had until mid to late April 2002 to commence this action. The applicable statute of limitations for Plaintiffs' claim is codified under 7 GCA § 11308. This statute provides as follows:

§ 11308. Action to Recover Damages for Injuries.

An action to recover damages for injuries to the person arising from any medical, surgical or dental treatment, omission or operation shall be commenced with one (1) year from the date when the injury is first discovered; provided, that such action shall be commenced within three (3) years from the date of treatment, omission or operation upon which the action is based.

7 GCA § 11308.

Defendants argue that since the Plaintiffs have failed to properly file a demand for arbitration with the AAA within the time prescribed under § 11308, this case should be dismissed for violation of the statute of limitations. Although the Plaintiffs clearly filed their Complaint within the statute of limitations, Defendants assert that Plaintiffs were actually required to file their demand for arbitration within the statute of limitations as well. The Court does not agree.

According to 10 GCA § 10114,

[i]f any suit or proceeding is brought in the courts of Guam upon any issue referable to arbitration under this chapter, the Court in which said suit is pending, upon being satisfied that the issue involved in such suit or proceeding is referable to arbitration under this chapter, shall upon application of one of the parties, stay all proceedings in the action until such arbitration has been had...

10 GCA § 10114. Based upon the unambiguous language of § 10114, the Act contemplated that certain malpractice claims would first be brought in the Superior Court as Plaintiffs in this case have done. Pursuant to § 10114, when such a claim is commenced in the Superior Court, the Act requires that upon application of a party, all proceedings be stayed until the matter is arbitrated. Since the Act makes no mention of dismissal for filing a malpractice claim in the Superior Court or for failing to file a demand for arbitration within the statute of limitations for malpractice claims, the Court finds that the Act does allow for malpractice claims to proceed in the Superior Court so long as neither party demands arbitration.

More importantly, whether or not a malpractice claimant ever files a demand for arbitration is irrelevant for purposes of dismissal under § 11308. In other words, a claimant may

initiate arbitration by filing a demand for arbitration or a claimant may simply file a complaint in the Superior Court and wait for the opposing party to demand arbitration, if such demand is made at all. In short, what matters for purposes of § 11308 is whether the claimant commenced the action within the time prescribed in the statute. In this case, it is undisputed that the Plaintiffs timely filed their Complaint. Dismissal, therefore, is unwarranted. The fact that the Plaintiffs' demand for arbitration may have been insufficient or improper is of no consequence. However, since the Defendants have also moved alternatively for a stay pending arbitration, pursuant to 10 GCA § 10114, the Court hereby stays these proceedings until arbitration is conducted in accordance with the Act.

CONCLUSION

Based upon the foregoing, Defendants' Motion to Dismiss is hereby DENIED. However, Defendants' Alternative Motion to Stay Proceedings is hereby GRANTED.

SO ORDERED this 177 day of January, 2005.

HONORABLE STEVENS. UNPINGCO
Judge, Superior Court of Guam

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Marshal, Superior Court

Guam

FILED Aug 22 5 02 PM '05 3 IN THE SUPERIOR COURT OF GUAMPERIOR COURT 5 CIVIL CASE NO. CV0557-02 6 CARMEN ARCEO LAGUANA and ROMY PETER LAGUANA, 7 Plaintiffs, 8 STIPULATION AND ORDER 9 VS. **OF DISMISSAL WITH** 10 ROSIE VILLAGOMEZ PALISSON and **PREJUDICE** MARIANAS PHYSICIANS GROUP, 11 12 Defendants. 13 14 COME NOW the respective attorneys for plaintiffs and the defendants herein, who hereby 15 STIPULATE and AGREE that this matter be dismissed in its entirety, with prejudice, each party to 16 bear its own fees and costs. 17 SO STIPULATED this / day of August, 2005. 18 LAW OFFICE OF FREDERICK J. KERLEY 19 GARYD. HULL, P.C. 20 In il. Will 21 By: By: GARY D. HULL 22 Attorney for Plaintiffs Attorney for Defendant 23 Rosie Villagomez Palisson 24 // 25 // 26 // 27 //

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ORDER

Based upon the upon the foregoing Stipulation of the respective parties herein, it is hereby ORDERED that the above-entitled matter be and is hereby dismissed with prejudice, each party to bear its own fees and costs.

SO ORDERED:

DATED: AUG 2 2 2005

HONORABLE STEVENS. UNPINGCO Judge, Superior Court of Guam

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STIPULATION AND ORDER
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