SANDBERG PHOENIX

CLASS ACTION BLOG

# Supreme Court Nixes Class Wide Arbitration

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Lamps Plus employee, Varela, sued the company after the disclosure of the private tax information of more than 1,000 company employees. Because of an arbitration clause in his employment agreement, the company moved to send the case to arbitration. The district court sent the case to arbitration, but for the issues to be arbitrated classwide rather than individually. The United States Court of Appeals, Ninth Circuit affirmed that ruling. The United States Supreme Court found that class arbitration is significantly different than individual arbitration. Because the employment agreement was ambiguous regarding whether class arbitration had been agreed to by the parties, the Supreme Court reversed.

Chief Justice Roberts wrote the majority opinion. In addition to joining that opinion, Justice Thomas wrote a concurring opinion. Justices Ginsburg, Breyer, Sotomayor and Kagan wrote dissenting opinions.

The majority opinion noted that the Federal Arbitration Act (FAA) requires courts to enforce arbitration agreements and concluded it should follow the 2010 ruling in *Stolt-Nielsen S.A.* v. *AnimalFeeds, Int'l Corp*, 559 U.S. 662 (2010), a case in which the court refused to compel arbitration on a classwide basis because the agreement was "silent" on the issue of class wide arbitration. Chief Justice Roberts noted the court's finding in *Epic Systems Corp.* v. *Lewis*, 584 U. S. ___, ___ (2018) (slip op., at 8), a case in which the court ruled that classwide arbitration fundamentally changes the individual arbitration envisioned by the Federal Arbitration Act (FAA). For that reason, the FAA did not compel parties to "submit to class arbitration unless there is a contractual basis for concluding that the party *agreed* to do so." *Stolt-Nielsen*, 559 U.S., at 684. Relying heavily on the *Stolt-Nielsen* ruling (559 U.S., at 684), the court concluded that an ambiguous arbitration agreement could not be used to compel classwide arbitration.

A significant difference between the various opinions was whether the agreement was truly ambiguous. If it was, then many of the dissenting justices would follow California law, as did the Ninth Circuit, and hold that the ambiguity should be construed against the employer, Lamps Plus, and have the classwide arbitration proceed.