

## SCOTUS: Ambiguous Agreement Insufficient to Compel Class Arbitration

In a 5-4 decision, the U.S. Supreme Court decided on April 24, 2019, that an arbitration agreement in an employment contract that was ambiguous as to the availability of class arbitration could not serve as the basis for the trial court to compel class arbitration under the Federal Arbitration Act (FAA).

The case, *Lamps Plus, Inc. v. Varela*, involved a putative class action filed in Federal District Court in California by an employee against his employer, arising out of the employer's alleged mishandling of the employee's and others' tax information, which had been compromised. Relying on an arbitration agreement in the named plaintiff's employment contract, the employer sought to compel individualized arbitration. The Federal District Court compelled arbitration, but held that the agreement was ambiguous as to whether class arbitration was available and, thus, it was free to compel arbitration on a class-wide basis. The Ninth Circuit affirmed, finding that, under California law, the agreement was ambiguous and, as such, it should be construed against the drafter and in favor the employee's construction to allow class arbitration.

Writing for the Court, Chief Justice Roberts acknowledged that the question of whether a particular arbitration agreement is ambiguous is dependent on application of state law, but noted that, "state law is preempted to the extent it 'stands as an obstacle to the accomplishment and the execution of the full purposes and objectives' of the FAA" — i.e. to allow the parties to reap the inherent benefits in arbitrating their disputes, in the manner explicitly agreed to. *Lamps Plus, Inc. v. Varela*, No. 17-988, 2019 WL 1780275, at \*5 (U.S. Apr. 24, 2019)(quoting *AT&T Mobility LLC v. Concepcion* (2011)). Explaining that individualized arbitration has the principal advantage of allowing for informal, and thus more efficient, resolution of a given dispute, the Court held that, "ambiguity does not provide a sufficient basis to conclude that the parties to an arbitration agreement agreed to 'sacrifice[] the principal advantage of arbitration.'" *Id.* at \*5-6 (quoting *Concepcion*, 563 U.S., at 348).

This decision builds upon the Court's 2010 holding in *Stolt-Nielsen S.A. v. Animal Feeds Int'l Corp.* that an arbitration agreement that is silent as to the availability of class-wide arbitration cannot serve as the basis to compel class arbitration and comes less than a year after the Court's landmark ruling in *Epic Systems Corp. v. Lewis* that the FAA makes individualized arbitration agreements enforceable. With this latest opinion, the Court has further galvanized its precedent establishing the enforceability of individualized arbitration agreements and requiring strict construction thereof.



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