

Supreme Court holds class action limits in employee arbitration contracts

It's been a big week in employment law at the Supreme Court. Earlier this week, the Court agreed to hear three cases, *Bostock v. Clayton County, Georgia*, *Altitude Express, Inc. v. Zarda*, and *R.G. & G.R. Harris Funeral Homes v. EEOC*, to decide whether Title VII's prohibition against discrimination "because of sex" protects LGBTQ employees. Today, in [*Lamps Plus, Inc. v. Varela*](#), the Court held that a party to an arbitration agreement may arbitrate only individual claims, rather than class claims, unless the arbitration agreement explicitly and unambiguously provides for class arbitration.



[Janet A. Hendrick](#)

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In a 5-4 vote, the Court overturned the Ninth Circuit Court of Appeals' decision that the arbitration agreement between Lamps Plus and employee Frank Varela allowed him to bring class

claims in arbitration even though the arbitration agreement was ambiguous on this point. Varela filed suit in a California federal court on behalf of a putative class of employees after approximately 1,300 employees' tax information was disclosed as part of a phishing scam. Because Varela had signed an arbitration agreement at the time of hire, Lamps Plus moved to compel arbitration. The arbitration agreement was ambiguous on the issue of whether a party may pursue class claims in arbitration. The district court granted Lamps Plus' motion and sent the case to arbitration, but allowed Varela to pursue his claims on a classwide basis in arbitration. Lamps Plus appealed to the Ninth Circuit, which acknowledged the arbitration agreement was ambiguous, construed the ambiguity against Lamps Plus as the drafter of the agreement, and affirmed the district court's decision. Lamps Plus appealed to the Supreme Court.

Chief Justice Roberts wrote the opinion, joined by Justices Thomas, Alito, Gorsuch, and Kavanaugh. The primary question before the Court was "whether, consistent with the [Federal Arbitration Act, which governed the arbitration agreement], an ambiguous agreement can provide the necessary 'contractual basis' for compelling class arbitration." The majority answered this question in the negative, pointing out that arbitration on a classwide basis "undermines the most important benefits of" traditional individualized arbitration. In its 2010 decision in *Stolt-Nielsen S.A. v. AnimalFeeds International Corp.*, the Court held that a court may not compel arbitration on a classwide basis when the arbitration agreement is silent on the availability of class arbitration. In *Lamps Plus*, the majority held that "[l]ike silence, ambiguity does not provide a sufficient basis to conclude that parties to an arbitration agreement agreed to 'sacrifice[] the principal advantage of arbitration," which is the individualized form of arbitration envisioned by the Federal Arbitration Act. After all, ultimately, "[a]rbitration is strictly a matter of consent" between the

parties.

Today's decision continues the [pro-arbitration trend](#) from the Supreme Court over the past few years and comes nearly a year after *Epic Systems Corp. v. Lewis*, in which the Court upheld the use of class action waivers in arbitration agreements between employers and employees.

By [Janet A. Hendrick](#)

April 24, 2019

If you have questions about this decision, contact [Janet Hendrick](#), who represents and counsels employers on issues including proper classification, in the Dallas office of Phillips Murrah at (214) 615-6391 or at jahendrick@phillipsmurrah.com.