

California's Ban on Forced Arbitration Agreements in Workplace Disputes Blocked by 9th Circuit



A federal appeals court has blocked a California law that makes it a crime to require employees to sign agreements for arbitration of workplace disputes. The 9th US Circuit Court of Appeals in San Francisco ruled that the Federal Arbitration Act preempted the law. The law, known as Assembly Bill 51, passed in 2019, made it a crime to require employees or job seekers to agree to arbitration. However, it did not make mandatory arbitration clauses unenforceable to avoid the preemption issue.

The 9th Circuit had previously upheld parts of California law. Still, it withdrew the opinion and granted a rehearing after the US Supreme Court found that parts of a different law were preempted. Groups, including the US Chamber of Commerce, challenged the California law.

In the majority opinion for the 9th Circuit panel, Judge Sandra Ikuta wrote, "Because the FAA's purpose is to further Congress' policy of encouraging arbitration, and AB 51 stands as an obstacle to that purpose, AB 51 is therefore preempted."

Judge William Fletcher had previously voted to uphold parts of AB 51. He switched his stance after the rehearing and joined Ikuta's opinion.

This decision has significant implications for California's employment laws. Mandatory arbitration agreements have been a contentious issue for many years, with some arguing that they give too much power to employers and limit employees' ability to seek justice for workplace disputes. In contrast, supporters of mandatory arbitration argue that it is a more efficient and cost-effective way of resolving disputes and can provide a more level playing field for all parties involved.

Overall, this decision is a reminder of the ongoing debate over the use of mandatory arbitration agreements in the workplace. While many employers argue that these agreements are necessary for efficient dispute resolution, others believe they limit employees' ability to seek justice for workplace issues. As this case and others like it continue to make their way through the courts, it is clear that the debate is far from over.

REFERENCES:

9th Circuit blocks California's ban on forced arbitration agreements in workplace disputes