

Dentons' Legal Battle with Former Lawyer Worth \$30 Million Could Lead to Clash of New York and California Courts



The California Supreme Court has granted a petition by Jinshu “John” Zhang to review a lower court decision in a dispute against Dentons that held it was up to a New York arbitrator to determine whether he was an employee of the law firm. The case has transformed from a fee dispute to a test of California law mandating employment disputes involving California employees be heard in California courts. Zhang, a California-based equity partner, was ousted from Dentons in 2021 after a dispute over annual compensation following a \$30m fee from a contingency fee assignment he landed in 2018. He argued that he should be considered an employee under California’s Labour Code Section 925, which bars employers from requiring California employees to litigate employment disputes outside the state.

The case has been complex, with proceedings in both New York and California to determine the enforceability of the arbitration agreement and the nature of Zhang’s relationship with Dentons. The appellate decision in New York in December aligned with the November ruling from its California counterpart, concluding that Zhang’s arbitration clause “clearly and unmistakably” delegated whether he was an employee to an arbitrator in New York. The New York court also held that it had personal jurisdiction over Zhang because he agreed to arbitrate in New York. Every court that has heard Zhang’s arguments agreed that it was up to a New York arbitrator to determine if Zhang was an employee or a partner.

Denton argued that Zhang’s position would “destroy” arbitration agreements, forum-selection clauses, or delegation clauses whenever someone claiming to be a California employee invoked it. The California Supreme Court granted Zhang’s petition on Thursday and stayed a trial court order lifting an injunction against the New York arbitration. This means the California Supreme Court has barred the parties from arbitrating the case in New York.

The New York appellate ruling removed all impediments to the arbitration, and time has run out for Zhang to appeal that decision to New York’s highest court. Under the New York decision, the arbitration should take place, but under the California order, it cannot. Dentons has called on California to honor a final ruling from New York courts under the Full Faith and Credit Clause.

Zhang’s lawyers argue that the order shows the broad importance of their client’s arguments. They maintain that the issue will impact all of California’s employees working for out-of-state employers. The case is no longer just about a fee dispute; it has become a significant test of California law regarding employment disputes involving California employees. The California Supreme Court will determine whether Zhang is entitled to California jurisdiction under state labor law. There is no Full Faith and Credit issue if the court finds he is. The case may provoke a clash between New York and California courts, with possible constitutional implications under the Full Faith and Credit Clause.

REFERENCES:

Dentons' \$30 million fight with ex-lawyer could put New York, California courts on collision course

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