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Private Arbitration Agreements Preclude Employee Class Actions

21 May 2018

In *Epic Systems Corp. v. Lewis*, employees sued their employer in a class action for violation of the Fair Labor Standards Act. Those employees each had signed an agreement to arbitrate employment disputes under the Federal Arbitration Act, and the employer invoked those agreements to preclude the class actions. The employees argued that the National Labor Relations Act triggered the FAA's savings clause, allowing the class actions to proceed. The Ninth Circuit, in a 2-1 decision, agreed with the employees. The Court, in a 5-4 decision by Justice Gorsuch, reversed, holding that the FAA's savings clause exempting arbitration "upon such grounds as exist at law" was not implicated by the NLRA nor did the NLRA abrogate the FAA's preference to enforce arbitration provisions. The majority acknowledged that "the policy may be debatable but the law clear" on the issue, and the Court could not inject its own policy preferences for the statutory framework provided by Congress. Justice Thomas filed a concurrence arguing that the plain language of the FAA also compelled the same result, allowing revocation of an arbitration provision only on grounds akin to revocation of a contract. Justice Ginsburg, joined by Justices Breyer, Sotomayor, and Kagan, dissented, arguing that the implication of the Court's ruling was to effectively permit employers to use arbitration agreements to avoid class actions, permitting them to take advantage of their employees.

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TAGGED: scotus, Arbitration Agreements, Class Actions, Epic Systems Corp. v. Lewis, Fair Labor Standards Act, Federal Arbitration Act, National Labor Relations Act