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Kirkland Alert

## Supreme Court Limits Class Arbitration

24 April 2019

On April 24, 2019, the Supreme Court issued a long-anticipated ruling in *Lamps Plus, Inc. v. Frank Varela*, holding that an agreement to arbitrate must explicitly call for class arbitration in order for a complainant to bring an arbitration on behalf of a class.

Litigating on a class basis can provide relief on claims that are common to a group, even where those claims might individually be low in dollar value. While class action lawsuits are a common vehicle for litigating such claims in court, their availability was unclear where parties had contractually agreed to arbitrate their claims but had remained silent on the availability of classwide proceedings.

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With the *Lamps Plus* decision, the court has brought long-awaited clarity. The case originated when Lamps Plus, a retailer of lighting fixtures, was the subject of a data breach affecting about 1,300 employees. One employee, Frank Varela, brought a class action lawsuit in federal court on behalf of the allegedly affected employees. The company invoked an arbitration clause in its employment contract and persuaded the court that the dispute was subject to mandatory arbitration. In later proceedings, an appellate court affirmed that the case was subject to mandatory arbitration and that the arbitration could proceed on a classwide basis.

In Wednesday's decision, the Supreme Court found that class arbitration is not available where the arbitration clause at issue says nothing about the availability of

class actions, holding, “Courts may not infer from an ambiguous agreement that parties have consented to arbitrate on a classwide basis.”

The decision has far-reaching implications for arbitration agreements that are silent on the ability of complainants to bring class action-style claims on behalf of a larger group. Now, a complainant who has agreed to arbitrate will be bound to bring claims individually in the absence of explicit authorization in the arbitration provision that would permit the complainant to assert claims on behalf of a class. This holding may have a deterrent effect on claims that are uneconomical to litigate or arbitrate individually, like certain consumer or employment claims.

Clients facing classwide arbitration, or the threat of classwide arbitration, should carefully review the language in their arbitration agreements to understand the effect of the *Lamps Plus* decision, and make sure that the agreement reflects their choice on whether to utilize classwide arbitration.

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- [April – June 2019 Article Mass Tort Defence](#)

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