

EMPLOYMENT LAW UPDATE

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California Law

Ralphs Grocery Co. v. Massie
04 C.D.O.S. 2227 (March 11, 2004, Cal.App.4 Dist.)

The Federal Arbitration Act Prevents The Labor Commissioner From Pursuing Remedies That Are Employee-Specific Where The Employee Has Entered Into An Enforceable Arbitration Agreement With The Employer.

By Jason A. Geller and Kevin D. Whittaker

Kelvin Massie filed a discrimination complaint with the California Division of Labor Standards Enforcement (“DLSE”), asserting that Ralphs Grocery Company violated the law by discharging him for “lawful conduct occurring during nonworking hours away from the employer’s premises.” Thereafter, Ralphs filed a petition in the Superior Court to compel Massie to arbitration pursuant to an arbitration agreement that Massie had signed upon commencing his employment. Ralphs also petitioned to have the Labor Commissioner’s administrative proceedings stayed based on the arbitration agreement.

The trial court denied Ralphs’ petition, reasoning that Massie’s DLSE complaint failed to trigger Massie’s arbitration agreement because the DLSE proceedings did not involve Massie but rather just involved the Labor Commissioner. Additionally, the trial

court held that the arbitration agreement between the parties did not preclude the Labor Commissioner from investigating Massie’s complaint. Ralphs appealed. The Court of Appeal reversed.

The primary issue presented to the Court of Appeal was whether the Federal Arbitration Act (“FAA”) required the trial court to grant Ralphs’ petition to compel arbitration and stay the Labor Commissioner’s administrative proceedings assuming an otherwise enforceable arbitration agreement. The Court of Appeal directed the trial court to determine the threshold issue of whether the arbitration agreement is enforceable under the rules set forth in ***Armendariz v. Foundation Health Psychare Services, Inc.*** Additionally, the Court held that if the arbitration agreement is enforceable, the FAA would compel arbitration and thus prevent the Labor Commissioner from enforcing rights that are *specific* to

Massie, such as his own economic damages. However, the Court held that the FAA would *not* prevent the Labor Commissioner from pursuing rights that are of interest to employees in general and not those limited to Massie; i.e. forcing an employer to post notices of all employees' legal rights or issuing an injunction to prevent an employer from violating the rights of several other employees in the future.

This case provides useful guidance to employers who are seeking to compel arbitration while a Labor Commissioner proceeding is pending.

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