



# Federal Court Preserves Use Of Mandatory Arbitration Agreements In California

Insights

1.31.20

A federal judge just extended the reprieve that permitted California employers to escape the grasp of a newly enacted law that aimed to prevent them from utilizing mandatory arbitration agreements with their employees. After granting a temporary restraining order that pressed pause on the new law before it could take effect on January 1, the court today granted a full preliminary injunction that will block the law during the court proceedings that will examine the legality of the new statute. This is good news for California employers, but because things could evolve rapidly over the coming weeks and months, you will want to pay particular attention to upcoming developments to ensure you are in compliance.

## Brief Background And Today's News

As we reported, a coalition of business groups led by the U.S. Chamber of Commerce filed a lawsuit in December seeking to block AB 51 from ever taking effect. That law, signed into effect in October, would make it unlawful for California employers to require applicants and employees to sign arbitration agreements beginning January 1, 2020.

The plaintiffs asked the court to grant a preliminary injunction blocking the enforcement of AB 51 pending proceedings in the lawsuit. They also filed a request for a Temporary Restraining Order (TRO), which would halt the law from being enforced while the litigation over the preliminary injunction request was taking place. On December 30, the court granted the TRO, effectively preventing the state from enforcing AB 51 until the request for a preliminary injunction is decided.

Today, the court issued a brief minute order granting the full preliminary injunction and blocking the state from enforcing the law while the litigation is ongoing. "In the coming days," Judge Kimberly J. Mueller wrote, "the court will explain its reasoning in a detailed, written order."

At the time the law passed, we predicted that "the law could very well be blocked by a court before it ever takes effect" because "similar recent attempts at restricting arbitration have been struck down as conflicting with a strong federal law favoring it." We anticipate that, similar to the reasoning that led her to grant the TRO, the judge will conclude that it appears likely that the new law is preempted by the Federal Arbitration Act.

## Next Steps

Once again, the status quo remains in effect for California employers. It is still lawful to continue requiring employees to sign arbitration agreements. But the litigation surrounding AB 51 could move quickly, so California employers will need to monitor developments closely over the coming weeks and months.

We'll keep you posted on any legal developments in this fight over the new law, and you can stay updated on the latest news at our [California Employers Blog](#), and through [our legal alert system](#). For more information, contact your Fisher Phillips attorney or one of the attorneys in any of our California offices:

Irvine: 949.851.2424

Los Angeles: 213.330.4500

Sacramento: 916.210.0400

San Diego: 858.597.9600

San Francisco: 415.490.9000

---

*This alert provides an overview of a specific federal court decision. It is not intended to be, and should not be construed as, legal advice for any particular fact situation.*

Copyright ©2020 Fisher Phillips LLP. All rights reserved.

### ***Related People***



**Benjamin M. Ebbink**  
Partner  
916.210.0400  
Email



**Richard R. Meneghello**  
Chief Content Officer  
503.205.8044  
Email

### ***Service Focus***

Counseling and Advice

### ***Related Offices***

Irvine

Los Angeles

Sacramento

San Diego

San Francisco

Woodland Hills