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Supreme Court Gives Businesses a Win in Mandatory Arbitration Dispute

April 25, 2019

On April 24, 2019, the Supreme Court issued its widely-anticipated decision in *Lamps Plus v. Varela*. In a 5-4 ruling, the Court held that a mandatory arbitration dispute resolution provision in a form contract cannot be read to permit class or collective arbitration unless the agreement explicitly provides for such procedure. The Court reversed a decision by the Ninth Circuit that had reasoned that an ambiguous arbitration agreement should be construed to implicitly permit a party to a form contract to seek class arbitration.

The decision is an important victory for the business community, which increasingly favors using agreements that channel disputes to individual arbitration. The logic of the Court's ruling applies to many types of form contracts, including agreements with employees, independent contractors, consumers, and vendors. The opinion reinforces last year's decision in *Epic Systems v. Lewis,* in which a 5-4 majority of the Court held that mandatory arbitration agreements can be enforced with respect to claims brought under the Fair Labor Standards Act, rejecting arguments that this outcome violates Section 7 of the National Labor Relations Act. These two decisions continue the trend of narrow Court majorities siding with businesses seeking to expand the use of mandatory arbitration as a preferred form of dispute resolution.

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