Press Release

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In Victory for WLF, Supreme Court Upholds Employment-Related Arbitration Agreements

(*Epic Systems Corp. v. Lewis*)

"Arbitration depends on informal procedures for its success. That informality is destroyed if the arbitration is transformed into a class action, as the NLRB demanded for all employment-related contracts. In rejecting the NLRB's position, the Court properly understood that federal law requires courts to enforce arbitration agreements as written."
—Richard Samp, WLF Chief Counsel

WASHINGTON, DC—The U.S. Supreme Court today issued a decision that upheld the enforceability of arbitration agreements in employment-related disputes. The decision was a major victory for Washington Legal Foundation (WLF), which filed a brief in the case, *Epic Systems Corp. v. Lewis*. The Court agreed with WLF that the Federal Arbitration Act (FAA) establishes a federal policy of enforcing agreements to resolve disputes through one-on-one arbitration and that labor law does not override that policy.

At issue in the three consolidated arbitration cases decided by the Supreme Court were claims that employers had failed to pay required overtime wages to their employees, in violation of the Fair Labor Standards Act (FLSA). Each of the employees asserting overtime claims had signed contracts agreeing that future employment-related disputes would be resolved through informal arbitration proceedings rather than through lawsuits. The Court many years ago determined that agreements to keep employment-related disputes out of court are fully enforceable, and that determination has never been challenged. However, the National Labor Relations Board (NLRB) held for the first time in 2012 that, under a federal labor law (the NLRA), an employee must be provided an opportunity to conduct the arbitration on a class-wide basis (*i.e.*, on behalf of all other similarly situated employees).

The Court's 5-4 decision rejected the NLRB's interpretation of federal law. The Court held that the FAA creates a strong presumption that arbitration agreements should be enforced, and that nothing in the NLRA overcomes that presumption. The NLRA states that employees have a right to engage in "concerted activities" for their mutual benefit, such as organizing unions and collectively bargaining with their employer. But the Court agreed with WLF that the "concerted activities" right does not include the right to file legal claims on a collective or class-action basis. The Court noted that the NLRA includes no mention of litigation and that, until 2012, the NLRB agreed that the NLRA's "concerted activities" provision did not prevent the enforcement of contracts calling for resolution of employment disputes through one-on-one arbitration.

Celebrating its 41st year, WLF is America's premier public-interest law firm and policy center advocating for free-market principles, limited government, individual liberty, and the rule of law.

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