Press Release

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In WLF Victory, Supreme Court Overturns State Court's Refusal to Honor Arbitration Agreement

(DIRECTV, Inc. v. Imburgia)

"The Supreme Court has once again reiterated its refusal to tolerate state-court hostility to arbitration … As a result of today's decision, arbitration will continue to thrive as an attractive and effective alternative to costly and time-consuming litigation."—Cory Andrews, WLF Senior Litigation Counsel

WASHINGTON, DC—Earlier today, by a 6-3 vote, the U.S. Supreme Court overturned a hostile, anti-arbitration decision from the California Court of Appeal that had relied on a class-arbitration waiver contained in a standard customer agreement as a basis to disregard the parties' *entire* arbitration agreement. Concluding that the state court's idiosyncratic contract interpretation did not place arbitration agreements "on equal footing with other contracts," the Supreme Court held that the Federal Arbitration Act preempts the state court's construction of the parties' arbitral agreement.

The decision marks another victory for Washington Legal Foundation, which filed an *amicus* brief in the case urging the Supreme Court to reaffirm the primacy of federal arbitration law over inconsistent state laws that seek to limit the availability of efficient private arbitration. WLF's brief argued that the California appeals court erred in refusing to honor the parties' agreement to individually arbitrate their dispute. The Supreme Court agreed, and today's decision reinforces the requirement that courts enforce arbitration agreements, like other contracts, according to their terms.

As WLF demonstrated it its brief, the appeals court's curious construction of the phrase "the law of your state" to mean "the (nonfederal) law of your state without considering the preemptive effect" of federal law fundamentally misapprehended the interplay between state and federal law. Under the U.S. Constitution, there is no such thing as "state law" free from the preemptive force of federal law. Preempted state law is a legal nullity, so it is not "law" in any meaningful sense of the word. As WLF noted, the Supreme Court has long made it clear that federal law is as much the "law of the several States" as the laws passed by state legislatures themselves.

Upon hearing the victory, WLF issued this statement by Senior Litigation Counsel Cory Andrews: "The Supreme Court has once again reiterated its refusal to tolerate state-court hostility to arbitration. Perhaps with this reversal, California courts will finally receive that message once and for all. As a result of today's decision, arbitration will continue to thrive as an attractive and effective alternative to costly and time-consuming litigation."

WLF is a national, public-interest law firm and policy center that devotes a substantial portion of its resources to reining in excessive litigation and promoting the rule of law.

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