

California Bar on Mandatory Arbitration Agreements in Employment Temporarily Enjoined

By Scott P. Jang

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The State of California has been temporarily enjoined from enforcing its prohibition on mandatory employment arbitration agreements under Assembly Bill 51. *Chamber of Commerce of the United States, et al. v. Becerra, et al.*, No. 2:19-cv-2456 (E.D. Cal. Dec. 30, 2019). The motion for a preliminary injunction is set for a hearing on January 10, 2020.

The court ruled that the U.S. Chamber of Commerce and other business organizations have shown that there are serious questions regarding whether California's law is preempted by the Federal Arbitration Act (FAA); that if enforced, California's law could cause disruption to employment contracts, particularly in light of the potential for the imposition of criminal penalties on employers; and that the State of California will not be harmed by a temporary injunction on the enforcement of Assembly Bill 51.

Under Assembly Bill 51, employers are prohibited from requiring employees to sign new mandatory arbitration agreements concerning disputes arising under the California Fair Employment and Housing Act (FEHA) or California Labor Code. AB 51 applies only to contracts executed, modified, or extended on or after January 1, 2020. Recently enacted Labor Code section 432.6 bars mandatory employment arbitration agreements starting January 1, 2020. (For more on AB 51, see our article, [New California Law Attacks Mandatory Arbitration Again ... But Is It More Bark Than Bite?](#))

The U.S. Chamber of Commerce and other business organizations filed suit in federal court against the State of California to have Assembly Bill 51 declared preempted by the FAA. (See our article, [California Bar on Mandatory Arbitration Agreements in Employment Challenged, Injunction Sought.](#)) The lawsuit also seeks a declaration that Assembly Bill 51's express FAA carve out provision, which protects mandatory employment arbitration agreements otherwise enforceable under the FAA, applies to both enforcement and formation of arbitration agreements.

Please contact a Jackson Lewis attorney with any questions about this case.

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