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Supreme Court Rules That a Court May Not Order Class Arbitration
When the Parties' Arbitration Agreement Is "Ambiguous"

Earlier this week, in [*Lamps Plus, Inc. v. Varela*](#), a 5-4 majority of the Supreme Court ruled that a court may not compel arbitration on a class-wide basis where the arbitration agreement is "ambiguous" as to whether class arbitration is permitted. This decision extends the Court's [earlier ruling](#) that class arbitration may not be ordered where an agreement is "silent" on the availability of class arbitration.

The arbitration agreement at issue was signed by company employees. After a data breach, an employee brought a class action suit against the company. The company took the position that arbitration should be compelled, but on an individual, not a class-wide basis. However, the District Court ruled that arbitration should proceed on a class-wide basis. The Ninth Circuit, in affirming, concluded that the agreement was ambiguous as to whether class arbitration was permitted and that, under California law, it would construe the ambiguity against the employer who was the drafter.

Reversing the Ninth Circuit, the Supreme Court reaffirmed that, under the Federal Arbitration Act, "arbitration 'is a matter of consent, not coercion'" — irrespective of who drafted the contract. The Court further emphasized that class arbitration is markedly different than traditional individualized arbitration, and that class arbitration "undermines the most important benefits of that familiar form of arbitration." Accordingly, the Court ruled that, under the FAA, "ambiguity does not provide a sufficient basis to conclude that parties to an arbitration agreement agreed to 'sacrifice[] the principal advantage of arbitration,'" namely, "its informality" and "individualized" nature.

Lamps Plus continues the Supreme Court's approach of construing arbitration agreements to require individualized arbitration, absent evidence of mutual express consent to proceeding on a class-wide basis. This case is also a reminder of the importance of careful attention to drafting of arbitration agreements.

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