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A Victory for Employers: Court of Appeal Rules That Employment Arbitration Agreement May Embrace Claims Asserted In A Lawsuit Filed Prior to the Employee's Execution of the Agreement

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In California, it has become common for employers to present their employees with employment arbitration agreements whereby the employee agrees to submit to final and binding arbitration any and all claims relating to any aspect of the employment with the employer. It is also typical that the employment arbitration agreement will include claims arising from claims which involve pre-hiring activities. But, what if the employment arbitration agreement is signed after the employee has already (while under the employ of the employer) filed suit alleging claims against his or her employer for failure to pay compensation, hostile work environment and/or other related claims?

That question was addressed in the California Court of Appeal, Fourth Appellate District decision in Victor M. Quiroz Franco v. Greystone Ridge Condominium (2019) Westlaw 4024731 (Opinion filed August 14, 2019) ("Franco case").

In the Franco case, Victor M. Quiroz Franco ("Franco"), a longtime employee of Greystone Ridge Condominium, was requested in March 2018 to sign an agreement requiring that any and all claims relating to any aspect of his employment would be decided by arbitration. Franco had been employed by Greystone Ridge Condominium, a property management services company, since 2000. A few days after being presented with the agreement, Mr. Franco requested his employer to provide him with a Spanish translation of the agreement and, on March 16, 2018, the employer did so. At that time, Franco told his employer that he had a meeting scheduled with a lawyer on March 19, 2018, but he did not discuss any specifics as to the meeting. On March 19, 2018, Plaintiff (Franco) filed a lengthy Complaint through legal counsel against Greystone Ridge Condominium, and others, alleging disparate treatment and violations of the Fair Employment and Housing Act, hostile work environment in violation of the Fair Employment and Housing Act, failure to prevent discrimination, failure to pay overtime compensation, failure to pay minimum wage, failure to indemnify Franco for business expenses and violations of Business and Professions Code, § 173200, et seq. On March 21, 2018, just two days later, Plaintiff personally handed to his employer the Employment Arbitration Agreement, signed and dated March 21, 2018. At the time Franco provided the Employment Arbitration Agreement to his employer, the employer was unaware that Plaintiff had filed the Complaint. Franco admits (or admitted) that he was never threatened or forced to sign the Employment Arbitration Agreement.

After being served with Franco's Complaint, Greystone Ridge Condominium filed a Motion to Compel Arbitration based upon the Employment Arbitration Agreement. In Opposition, Plaintiff argued that his Complaint was not subject to the Employment Arbitration Agreement because the Plaintiff filed the Complaint before he signed the Employment Arbitration Agreement. The Trial Court denied the Motion to Compel.

On appeal, the Court of Appeal ruled that the plain language of the Employment Arbitration Agreement provides for the arbitration of employment claims, including the claims set forth in the Complaint that had already been filed before the Employment Arbitration Agreement was signed. The Court of Appeal emphasized the language, "Any and all claims, controversies or disputes … relating to any aspect of Employee's employment with Employer (pre-hire through post-termination)." The Court of Appeal noted that the "pre-hire" language could be reasonably construed to include the claims in Franco's Complaint. The Court of Appeal also emphasized that there was no dispute that Plaintiff Franco has agreed to the terms of the Employment Arbitration Agreement.

The Franco case is important insofar as establishing an obligation to arbitrate employment claims even if a claim had already been asserted (at least in some cases). This decision could also have impacts involving whether disputes are subject to arbitration in contexts other than employment claims.

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