

Supreme Court Decision in *Lamps Plus v. Frank Varela* Aligns with DRI Brief

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The recent decision handed down by the U.S. Supreme Court in *Lamps Plus v. Frank Varela* is in alignment with the arguments presented in DRI's amicus brief to the Court. The brief was submitted by DRI's Center for Law and Public Policy. In this case, the Court had to determine whether ordinary arbitration-clause language, silent on the issue of class arbitration, is enough to authorize class arbitration absent a waiver.

This case arose in 2016 when in consequence of a hacker, posing as a company official, a Lamps Plus employee was persuaded to disclose tax information of 1,300 Lamps Plus employees. With the information, the hacker filed a fraudulent tax return for Lamps Plus employee, Frank Varela. Varela filed a class action in federal district court and Lamps Plus moved to compel individual arbitration.

The district court ruled, and the Ninth Circuit affirmed, that the arbitration agreement was ambiguous about whether it allowed class arbitration and therefore a common-law rule applied that contract ambiguities should be construed against the party that drafted the contract.

The DRI brief relied heavily on a 2010 decision (*Stolt-Nielsen S.A. v. Animal Feeds International Corp.*) to argue that class arbitration changes the nature of arbitration to such a degree that consent cannot be presumed. DRI contended that by presuming consent as the Ninth Circuit did, the decision would "subject countless other defendants, to complex, high stakes, class arbitration procedures to which they never agreed." DRI's brief offered empirical support for the notion that many individuals received relief through bilateral arbitration procedures. DRI pointed out that these benefits are not similarly present in class arbitration because class arbitration is costlier and poses additional problems. DRI included a study showing that arbitrators are more likely to certify a class, and that they financially benefit from doing so.

SUPREME COURT DECISION IN *LAMPS PLUS V. FRANK VARELA* ALIGNS WITH DRI BRIEF Cont.

The Supreme Court reversed the Ninth Circuit and held that an ambiguous agreement cannot provide the necessary contractual basis for compelling class arbitration. Writing for the majority on Wednesday, Chief Justice John G. Roberts Jr. said that Mr. Varela's case had been resolved by the 2010 decision. Since neither party had expressly agreed to class arbitration, only individual arbitrations were allowed. Roberts stated further that class arbitrations thwarted the basic goals of arbitration as contemplated by the Federal Arbitration Act: speed and simplicity.

Co-authors of the DRI brief, Mary Massaron and Hilary Ballentine of Plunkett Cooney in Bloomfield Hills, MI, are available for comment by clicking the links listed above.

The full text of the brief can be found here.

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