

## LEGISLATIVE

### Local

Effective August 8, 2020, the San Diego County Public Health Order was amended to require employers to take affirmative steps to notify local officials and employees when workers are diagnosed with COVID-19. Once an employer becomes aware of an employee's diagnosis, the employer must:

- Promptly notify the County Department of Public Health that there is an employee diagnosed with COVID-19, together with the name, date of birth, and contact information of the employee.
- Cooperate with the County Department of Public Health's COVID-19 response team to identify and provide contact information for any persons exposed by the employee at the workplace.
- Provide notice of the exposure to any employees and contractors (who regularly work at the workplace) who may have been exposed to COVID-19, in accordance with the California COVID-19 Employer Playbook for a Safe Reopening, which is available [here](#).

## JUDICIAL

### Federal

#### **The First Amendment Prohibits Courts from Adjudicating Discrimination Claims Brought by Employees Against Religious Employers**

In *Our Lady of Guadalupe School v. Morrissey-Berru*, the United States Supreme Court confirmed that religious employers may be exempt from generally applicable employment discrimination laws pursuant to the First Amendment's Religion Clauses. While the decision did not go so far as to provide religious entities with general immunity from secular laws, it did protect their autonomy with respect to internal management decisions that are essential to the institution's central mission; one component of that autonomy is the selection of the individuals who play certain key roles within the institution. Under the "ministerial exception," courts are bound to steer clear from adjudicating employment disputes involving employees in certain important positions with churches and other religious institutions. This decision's reaffirmation of the ministerial exemption is thus a major win for religious organizations facing employment-related litigation.

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Date*

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Plaintiffs Agnes Deirdre Morrissey-Berru and Kristen Biel were teachers at Our Lady of Guadalupe School and St. James School, respectively. They were employed under nearly identical agreements that emphasized that the schools' missions were to develop and promote a Catholic School faith community. They taught all subjects, including religion. Both were discharged on grounds that the two women found improper. Morrissey-Berru claimed that Our Lady of Guadalupe demoted her and failed to renew her contract in order to replace her with a younger teacher in violation of the Age Discrimination in Employment Act. Biel alleged that St. James discharged her because she requested a leave of absence to obtain breast cancer treatment. The two independently filed lawsuits against their employers, but in both cases the trial courts granted summary judgment on the ground that the two women were functionally "ministers" based on their roles as instructors at a religious institution. Each appealed to the Ninth Circuit Court of Appeals, and in both cases, the rulings were reversed on the grounds that the two had limited religious training, minimal backgrounds in ministerial activities, and did not serve as religious leaders per se. Accordingly, the Court of Appeals found the ministerial exception to be inapplicable. The two cases were thereafter consolidated and taken on appeal to the United States Supreme Court.

This was not the first occasion for the Supreme Court to consider the ministerial exception. In the 2012 decision *Hosanna-Tabor Evangelical Lutheran Church and School v. EEOC*, the Supreme Court examined the ministerial exception and ultimately determined that the First Amendment barred a court from entertaining an employment discrimination claim brought by an elementary school teacher against the religious school where she taught. However, the Court declined to adopt a rigid formula for deciding when an employee qualifies as a minister. Instead, the Court identified four circumstances or factors relevant to determining whether an employee is a "minister" for purposes of the exception: the employee's title; her religious training; whether she held herself out as a minister; and the employee's responsibility for teaching religion and participating with students in religious activities.

In the instant case, the Court decided that the key inquiry is what an employee does, and stressed that the Ninth Circuit had mistakenly treated the circumstances found relevant in *Hosanna-Tabor* as a checklist of items to be assessed and weighed against each other, which produced a distorted analysis. The Supreme Court stressed that first, the Ninth Circuit placed undue significance on the fact that the two plaintiffs did not have clerical titles. Second, it assigned too much weight to the fact that they had less formal religious schooling than the plaintiff in *Hosanna-Tabor*. Third, the St. James panel inappropriately diminished the significance of Biel's duties.

Notably, the Court ruled that educating young people in their faith, which was the responsibility of the plaintiffs in these two cases, is at the very core of the private religious schools' missions, and both plaintiffs qualified for the exception. Even though the plaintiffs' titles did not include the term "minister" and they had less formal religious training than the plaintiff in *Hosanna-Tabor*, their core responsibilities were essentially the same. The Court also noted that a religious institution's explanation of the role of its employees in the life of the religion in question is important, and the schools expressly saw the plaintiffs as playing a vital

role in carrying out the church’s mission. The Court concluded that, when a school with a religious mission entrusts a teacher with the responsibility of educating and forming students in the faith, judicial intervention into disputes between the school and the teacher threatens the school’s independence in a manner violative of the First Amendment.

In light of this decision, religious employers should carefully evaluate the duties of their employees so as to determine the applicability of the ministerial exception. Presuming that the exception is automatically in effect merely because of the employer’s religious nature is a mistake that can lead to serious liability risks. On the other hand, proper application of the exception provides a potentially compelling defense in employment actions. For secular employers where the defense is likely unavailable, this case nevertheless serves as a valuable reminder to fully understand the duties and functions of employees (particularly on issues such as independent contractor status and exemptions), and to not rely on titles alone to assess the roles performed by personnel.

### **The Class Action Fairness Act of 2005 Does Not Provide a Basis for Federal Jurisdiction Over a PAGA Claim**

In *Canela v. Costco Wholesale Corporation*, the Ninth Circuit Court of Appeals held that the Class Action Fairness Act of 2005 (“CAFA”) does not confer jurisdiction over a Private Attorneys General Act (“PAGA”) claim to a federal court. Liliana Canela (“Canela”) was a greeter and exit checker at two Costco warehouses. She sued Costco in California state court, asserting a single claim—that Costco had failed to provide suitable seating in violation of the applicable Wage Order. Because California law does not permit an employee to sue directly for a suitable seating claim, Canela could only pursue the claim indirectly via PAGA, which permits employees to pursue civil penalties for violations of the Labor Code and Wage Orders. Nevertheless, Canela styled her lawsuit as a “class action” (seeking direct recovery of damages for herself and other employees) and as a “representative” PAGA action (seeking to recover civil penalties on behalf of the state). Costco removed the case to federal court based on the federal diversity statute and CAFA. A year later, Canela notified the district court that she no longer planned to pursue the claim on a class basis, and thus only the representative PAGA claim remained. Canela sought to return the case to state court, arguing the district court now lacked jurisdiction. The district court rejected this argument, and Canela appealed. The Ninth Circuit agreed with Canela, holding there was no jurisdictional basis for keeping the case in federal court.

Generally, to pursue litigation in federal court, one or more of the parties must establish that the federal court has jurisdiction over the case. In *Canela*, Costco invoked two independent bases for federal jurisdiction: traditional “diversity” jurisdiction and CAFA jurisdiction. Traditional diversity jurisdiction requires that (1) no plaintiff shares a state of citizenship with any defendant and (2) the amount in controversy is greater than \$75,000. According to the Ninth Circuit, Costco could not prove that the claim was worth more than \$75,000 because, for purposes of establishing the amount in controversy under traditional diversity jurisdiction, the employer cannot aggregate the value of PAGA penalties relating to all aggrieved employees. Rather, the employer can only examine the

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value of PAGA penalties for violations directly affecting the plaintiff and here, Costco could not show the value of Canela's PAGA penalties exceeded \$75,000.

Meanwhile, CAFA confers federal jurisdiction over a "class action" when (1) the parties are "minimally diverse" (i.e., where at least one member of the class and at least one defendant are citizens of different states), (2) the amount in controversy exceeds \$5,000,000, and (3) the proposed class has at least 100 members. CAFA defines a "class action" as "any civil action filed under Rule 23 of the Federal Rules of Civil Procedure or similar State statute or rule of judicial procedure authorizing an action to be brought by one or more representative persons as a class action." Because Canela filed suit in California state court, her action was not filed under Rule 23 of the Federal Rules of Civil Procedure. The Ninth Circuit determined that the suit was not governed by a similar state rule authorizing class actions either, as representative PAGA actions are not subject to the same procedural rules as class actions under California law. Specifically: (1) in a PAGA suit, the court does not inquire into the named plaintiff's and class counsel's ability to fairly and adequately represent unnamed employees; (2) the plaintiff need not establish that a PAGA action affects a sufficiently numerous group of employees, that common questions of law or fact predominate over individualized inquiries, or that the plaintiff's claims are typical of those of other employees; and (3) PAGA does not require that other employees receive notice of the claim or receive an opportunity to opt out of the claim. Thus, because the PAGA claim did not constitute a "class action" within the meaning of CAFA, Costco failed to demonstrate that the claim had a proper basis for remaining in federal court.

California employers can draw important lessons from *Canela* about removing PAGA claims to federal court: (1) unless the PAGA penalties for violations directly affecting the plaintiff exceed \$75,000 (which is unlikely), don't expect traditional diversity jurisdiction to apply; and (2) a PAGA suit is fundamentally different from a class action suit, so don't expect CAFA jurisdiction to apply either, unless the plaintiff is actually pursuing class action claims in addition to a PAGA claim.

### **Federal Court Strikes Down Portions of the Department of Labor Regulations Interpreting the Families First Coronavirus Response Act**

Last week, a federal judge for the U.S. District Court for the Southern District of New York ruled that several aspects of the Department of Labor ("DOL") regulations relating to the Families First Coronavirus Response Act ("FFCRA") cannot stand. The FFCRA was enacted in March 2020 and entitled employees of covered employers to take paid sick leave and paid family and medical leave for qualifying reasons related to the COVID-19 pandemic. On April 1, the DOL promulgated its "Final Rule," setting forth regulations for implementing and interpreting the statute. After the State of New York sued the DOL to challenge the Final Rule, the district court took issue with the following provisions:

## *The Work-Availability Requirement*

The FFCRA permits employees to take emergency paid sick leave if they are “unable to work (or telework) due to a need for leave because” of any of the following six reasons:

1. The employee is subject to a federal, state, or local quarantine or isolation order related to COVID-19.
2. The employee has been advised by a health care provider to self-quarantine due to concerns related to COVID-19.
3. The employee is experiencing symptoms of COVID-19 and is seeking a medical diagnosis.
4. The employee is caring for an individual who is subject to an order as described in subparagraph (1) or has been advised as described in paragraph (2), above.
5. The employee is caring for a son or daughter whose school or place of care has been closed, or whose childcare provider is unavailable, due to COVID-19 precautions.
6. The employee is experiencing any other substantially similar condition specified by the Secretary of Health and Human Services in consultation with the Secretary of the Treasury and the Secretary of Labor.

Meanwhile, employees may take emergency family and medical leave due to a need to care for a child whose school or place of care has been closed, or whose childcare provider is unavailable, due to the COVID-19 public health emergency.

According to the Final Rule, employees taking leave for reasons 1, 4, and 5, and employees taking emergency family and medical leave, are prohibited from doing so if the employer did not have work or telework available for the employee (for instance, because the employee was furloughed). The court noted that the FFCRA is ambiguous on this point, but the DOL failed to provide an adequate explanation for why a different standard applied to employees seeking leave for different reasons. Therefore, the court struck the DOL requirement of work availability related to leave for reasons 1, 4, and 5, and employees taking emergency family and medical leave.

### *Definition of “Health Care Provider”*

The FFCRA permits employers to exempt employees who are “health care providers” from entitlement to emergency paid sick leave and emergency family and medical leave. The FFCRA defines a “health care provider” as a doctor of medicine or osteopathy who is authorized to practice medicine or surgery (as appropriate) by the state in which the doctor practices; or any other person determined by the Secretary of Labor to be capable of providing health care services.

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The DOL Final Rule, however, greatly expanded this definition to include: anyone employed at any doctor's office, hospital, health care center, clinic, post-secondary educational institution offering health care instruction, medical school, local health department or agency, nursing facility, retirement facility, nursing home, home health care provider, any facility that performs laboratory or medical testing, or pharmacy, or anyone who works for an entity that contracts with any of the foregoing institutions. The court found the DOL's definition of "health care provider" was overbroad and contrary to the terms of the FFCRA, as the definition included employees whose roles bear no nexus whatsoever to the provision of healthcare services.

### *Documentation Requirements*

The FFCRA requires employees seeking emergency family and medical leave to provide notice as soon as is practicable, while employees taking emergency paid sick leave may be required to follow "reasonable notice procedures" to receive continued time off. Meanwhile, the Final Rule mandates that employees seeking time off must submit, prior to taking leave, documentation showing the reason for leave, the duration of the requested leave, and, when relevant, the authority for the isolation or quarantine order necessitating the leave. The court determined that the more stringent procedures required under the DOL regulations conflicted with the minimal notice provisions in the FFCRA and therefore could not stand.

The impact of the district court's ruling remains unclear. Due to the unique relief available under the Administrative Procedure Act, which the State of New York relied upon in challenging the Final Rule, it is possible that the ruling effects a nationwide injunction prohibiting application of the aforementioned regulations. However, it is also possible the ruling only applies in New York. Appeals of the ruling may clarify this question in time, but for now, employers across the U.S. may wish to comply with the ruling to mitigate risk to their organizations.

## **California**

### **Court of Appeal Declines to Impose Vicarious Liability for a Volunteer's Conduct While Commuting**

In *Savaikie et al. v. Kaiser Foundation Hospitals*, the California Court of Appeal affirmed a grant of summary judgment for an employer based on the "coming and going" rule. This rule limits an employer's vicarious liability for an employee's actions during the commute, since the employee is not considered to be acting within the scope of employment during such time. Plaintiffs Teresa, Michael, and Ryan Savaikie ("Plaintiffs") were the parents and brother of a 14-year-old boy who was struck and killed by a volunteer driving his personal vehicle home from his volunteer work for a Kaiser patient. Kaiser argued that the "coming and going" rule barred Plaintiffs' claim of negligence stemming from the accident, and the trial court agreed.

On appeal, Plaintiffs argued that the following exceptions to the "coming and going" rule required reversal of the trial court's decision: (1) the "required

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vehicle use” exception; (2) the “incidental benefit” exception; and (3) the “special mode of transportation” exception. Plaintiffs argued the required vehicle exception, whereby an employer requires an employee or volunteer to furnish a vehicle for transportation on the job, applied because Kaiser reimbursed the volunteer for travel expenses, checked the driver’s licenses and insurance information of volunteers, and required the volunteer transport his therapy dog to pet therapy sites. The Court of Appeal disagreed, noting that the mere receipt of travel reimbursement does not create an implied requirement of personal vehicle use, nor does the review of volunteers’ driver’s licenses. Further, the Court of Appeal pointed out that the volunteer was able to use any form of transportation he wished, including ride share services and public transportation, to transport the pet therapy dog. Therefore, the required vehicle exception did not apply.

The Court of Appeal determined that the incidental benefit theory did not create an exception to the “coming and going” rule either. The incidental benefit exception applies where personal vehicle use is an express or implied condition of employment, or where an employee has duties both at an office worksite and in the field, is directly required to travel to and from work in a personal vehicle, or is otherwise expected to have a personal vehicle available for work throughout the day. The court noted that the volunteer traveled to Kaiser only occasionally for meetings, and that simply driving to different sites to provide volunteer dog therapy did not mean the commute to and from home created an incidental benefit to Kaiser.

Lastly, the Court of Appeal rejected the “special mode of transportation” exception, which applies where materials transported by the worker require a specially equipped vehicle. Though the volunteer used a harness and clip to secure the therapy dog in his vehicle, this arrangement appeared to make use of existing parts of the vehicle and was not a special modification to the vehicle. Moreover, there was no evidence Kaiser required the volunteer to use a specially outfitted vehicle.

The analysis of the “coming and going” rule in *Savaikie* offers valuable insights for employers seeking to limit vicarious liability. Employers should exercise caution when requiring personal vehicle use for work purposes beyond commuting to and from home, relying on an employee’s personal vehicle use, or requiring special vehicle modifications, as such circumstances may potentially lead to liability for an employee or volunteer’s conduct during the commute.

### **The State Didn’t Sign Your Arbitration Agreement, So Don’t Expect to Arbitrate that PAGA Claim**

In *Collie v. The Icee Company et al.*, yet another California Court of Appeal confirmed that employers cannot compel arbitration of PAGA claims; such claims must remain before the trial court. Taraun Collie (“Collie”) was an employee of the Icee Company (“Icee”). Collie signed an arbitration agreement at the start of his employment, specifying that any claims brought by either party against the other would be subject to mandatory arbitration. After his employment ended, Collie filed a PAGA lawsuit on behalf of himself and other aggrieved employees. Icee moved to compel Collie’s “individual” PAGA claim to arbitration, arguing that the parties agreed to bilateral arbitration only (i.e., arbitration between Collie

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and Icee only) and thus Collie had waived his right to seek PAGA penalties on behalf of other employees. The Court of Appeal swiftly rejected this argument.

The court explained that a PAGA claim is a “representative” claim in that it is brought on behalf of the state—the state lacks the resources to adequately investigate wage and hour violations and has therefore “deputized” employees to pursue such claims in its place. Thus, a PAGA claim is, at its core, a dispute between the employer and the state. Generally, a non-party to an arbitration agreement cannot be compelled to arbitrate. Because the state did not agree to arbitrate Collie’s PAGA claim, Icee could not compel the PAGA claim to arbitration.

*Collie* represents the most recent in a growing line of opinions holding that PAGA claims cannot be arbitrated. Though arbitration agreements are not effective in limiting PAGA liability, employers may nevertheless consider such contracts a useful tool for limiting class action liability, as class action waivers are often upheld even in state court. Naturally, the best way to avoid a claim under PAGA is to preemptively ensure that all employment policies and practices are compliant with the ever-changing landscape of California labor and employment laws.

### **Ambiguous Wording in an Arbitration Agreement Defeats an Employer’s Ability to Eliminate Class Action Claims**

In *Garner v. Inter-State Oil Co.*, a California Court of Appeal confirmed the importance of unambiguous class action waiver language in arbitration agreements. At issue in *Garner*: whether the employee had waived his right to pursue class action claims in any forum or whether he simply agreed to pursue class claims only in arbitration. In other words, had the employer successfully eliminated the possibility of owing millions of dollars in class damages, or not? Unfortunately for Inter-State Oil...not.

Resolution of this question turned on two sentences in the arbitration agreement. First, the agreement stated: “To resolve employment disputes in an efficient and cost-effective manner, [the employee] and Inter-State Oil Co. agree that any and all claims arising out of or related to [the employee’s] employment that could be filed in a court of law, including but not limited to, claims of unlawful harassment or discrimination, wrongful demotion, defamation, wrongful discharge, breach of contract, invasion of privacy, *or class action shall be submitted to final and binding arbitration, and not to any other forum.*” (Emphasis added.) The second relevant sentence stated: “This Arbitration Agreement is a waiver of all rights to a civil jury trial or participation in a *civil class action lawsuit* for claims arising out of your employment.” (Emphasis added.) The employee agreed that the arbitration agreement precluded him from filing a class action *in court* but argued it contained an express agreement to pursue a class action in arbitration. Inter-State Oil argued that the arbitration agreement precluded the employee from pursuing class action claims in *any* forum.

The Court of Appeal agreed with the employee—reading the two relevant sentences together, the court found the parties expressly agreed to arbitrate class action claims and the employee waived his right to participate in a class action lawsuit in court. The court explained that the word “lawsuit” generally refers to a



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court action, and the agreement did not indicate the term “lawsuit” referred both to court actions and arbitrations when detailing the kinds of claims the employee was waiving. Thus, Inter-State Oil failed to demonstrate that the employee had waived his right to pursue class claims entirely.

In *Garner*, the court walked a hair-thin line in interpreting the word “lawsuit” as it did. But Inter-State Oil certainly could have preempted that interpretation by more carefully choosing its language in the arbitration agreement. The ultimate result of the ambiguous phrasing is what precluded Inter-State Oil from eliminating the employee’s class action claims and the multiple millions of dollars in potential exposure such claims represent. *Garner* is a reminder for employers to use explicit and unambiguous class action waiver language in arbitration agreements. Inadvertently limiting such waivers to “lawsuits” could provide an avenue for employees to pursue class actions in arbitration, where employers must foot the bill for the arbitrator’s fees (which often run upwards of \$40,000 in a single plaintiff arbitration) and face limited opportunities to appeal adverse rulings.

### Selective Enforcement of Arbitration Terms Deemed Impermissible

In *Kec. v. Superior Court*, a California Court of Appeal overturned a trial court’s decision to compel an employment dispute to arbitration where the arbitration agreement included a problematic class and representative action waiver as well as a strict prohibition against severing the waiver provision. The appellate court ruled that an employer may not selectively enforce the favorable portions of an arbitration agreement while ignoring the unfavorable aspects of the same agreement.

At the commencement of her employment, the plaintiff signed an arbitration agreement stating that the parties waived the right to bring, join, participate in, or opt into a class action, collective action, or other representative action, whether in court or in arbitration. The agreement confirmed that this waiver “may not be modified or severed from this Agreement for any reason.” Further, the agreement contained an invalidation provision stating that, if a court found any aspect of the waiver to be unenforceable, the entire arbitration agreement was null and void. Notably, California courts have repeatedly confirmed that waivers of representative PAGA claims are contrary to public policy. Thus, to the extent the arbitration agreement purported to waive the right to pursue representative PAGA claims, that aspect of the waiver provision was unenforceable.

Upon receipt of the plaintiff’s lawsuit for Labor Code violations and PAGA penalties, the company did not seek to enforce the arbitration agreement to the fullest extent. Rather, the company petitioned to arbitrate the employee’s individual claims and to *stay* the representative PAGA claim pending the completion of arbitration. In other words, the company sought to enforce only the permissible aspects of the agreement and tried to ignore the unlawful representative action waiver. The Court of Appeal was not fooled by this selective maneuvering and ruled that the representative action waiver was unenforceable and, by its own terms, could not be severed from the agreement to permit the individual claims to proceed in arbitration while the PAGA claim remained in court. The court further concluded that the entire arbitration agreement was rendered null and void, and

therefore no claims could be compelled to arbitration, given the plain terms of the invalidation provision.

Employers should be mindful of the terminology used in arbitration waiver and invalidation provisions to avoid the unfortunate outcome faced by the employer in *Kec*. California law requires a court to interpret and enforce contracts according to their terms, and after-the-fact efforts to remediate a problematic provision by selective enforcement will likely be stymied by judges unwilling to permit employers to have their cake and eat it too.

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