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EMPLOYMENT LAW UPDATE

Relationship-Driven Results *January 2022*

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JUDICIAL

California

California Court of Appeal Declines to Extend Arbitration Agreement Language to Non-Employer in *Garcia v. Expert Staffing West*

In *Garcia v. Expert Staffing West*, California's Second Appellate District concluded that an arbitration clause between a job applicant and her prospective employer does not apply to disputes between the applicant and her former employers, even despite the existence of a business relationship between the applicant's prospective employer and former employers.

Respondent Roseana Garcia ("Garcia") had an employment relationship, which did not include any express agreement to arbitrate claims, with Essential Seasons, a provider of contract-based labor services for agricultural and food service companies, and Cool-Pak, LLC ("Cool-Pak"), a company that labels, packs, and ships produce. In 2017, Essential Seasons placed Garcia at Cool-Pak as a packer. During that time, Garcia remained an Essential Seasons employee, while Expert Staffing West provided payroll services. Garcia's employment with Essential Seasons and Cool-Pak ended in December 2017.

In 2019, Garcia applied for employment at Expert Staffing West, and signed an arbitration agreement (the "Agreement") as part of the application process. The Agreement stated, in pertinent part: "[i]n the event there is any dispute between Employee and the Company relating to or arising out of employment or the termination of Employee… regardless of the kind or type of dispute, Employee and the Company agree to submit all such claims or disputes to be resolved by final and binding arbitration…" The Agreement, which also included a class action waiver, defined "the Company" as "Expert Staffing West *and all related entities*, including entities where employees are sent to work." (Italics added.) Despite completing the application and executing the Agreement, Garcia ultimately did not obtain employment with Expert Staffing West.

In November 2019, Garcia was added as a plaintiff to pending litigation against Expert Staffing West, Essential Seasons, and Cool-Pak. The lawsuit alleged various individual and class-based wage and hour claims. Expert Staffing West filed a petition to compel arbitration of Garcia's individual claims, a motion to dismiss Garcia's class claims, and a motion to stay the action

pending arbitration, based on Garcia's execution of the Agreement. Essential Seasons and Cool-Pak filed joinders to the petition to arbitrate. The trial court denied the petition, focusing on the fact that Garcia "did not obtain a job as a consequence of her application for employment of which the arbitration agreement was a part" and that the Agreement "does not even mention Cool-Pak."

On appeal, the appellate court agreed that the Agreement was not enforceable, as its scope should not be interpreted to cover prior employment by a different employer. (Citing *AT&T Technologies, Inc. v. Communications Workers of America* (1986) 475 U.S. 643, 650.) The court concluded that an arbitration clause cannot apply to disputes between an applicant and her former employers merely because her former employers had a business relationship with her prospective employer.

The court also held that *Salgado v. Carrows Restaurant, Inc.* (2019) 33 Cal.App.5th 356, upon which Garcia heavily relied, was not applicable. Unlike *Salgado*, in which the plaintiff was an employee of the defendant when she signed the arbitration agreement, Garcia was a job applicant and was never employed by Expert Staffing West after signing the Agreement. Moreover, Garcia's claims arose when she was employed by a different company (Essential Seasons/Cool-Pak) before she ever applied for a job directly with Expert Staffing West and signed the Agreement. As no evidence supported a finding that the parties intended to benefit Garcia's former employers by means of the Agreement, or that those former employers were prejudiced by not being able to enforce an arbitration agreement for which they never bargained, the Agreement was not enforceable as it related to those employers. The trial court's ruling was therefore affirmed.

Garcia serves as yet another reminder for California employers to review the scope of arbitration agreements and avoid the assumption that provisions not expressly included in agreements will be deemed enforceable. Those that are unsure of the enforceability of arbitration agreements should seek legal counsel before subject provisions are called into question.

This is Pettit Kohn Ingrassia Lutz & Dolin PC's employment update publication. If you would like more information regarding our firm, please contact Tom Ingrassia, Jennifer Lutz, Ryan Nell, Shannon Finley, Rio Schwarting, Christopher Reilly, Tina Robinson, Zachary Rankin, Christine Robles, Brian Jun, or Christine Dixon at (858) 755-8500; or Grant Waterkotte, Tristan Mullis, Andrew Chung, Rachel Albert, Sevada Hakopian, or Catherine Brackett at (310) 649-5772.