

Labor & Employment Update

Arizona Supreme Court Ruling Calls Into Question the Enforceability of Arbitration Clauses in Arizona Employment Contracts

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A unanimous Arizona Supreme Court ruled on July 14, 2004 in the case of North Valley Emergency Specialists, L.L.C. v. Santana, that the Arizona Arbitration Act (“AAA”), which permits Arizona Courts to enforce agreements requiring the contracting parties to submit their disputes to arbitration, does not apply to Arizona employment agreements. This means that Arizona employers can no longer enforce arbitration agreements through the AAA.

The Court’s ruling was not expected, and overturns the generally accepted interpretation of an Arizona statute that has been on the books since 1962. Until this ruling, that statute had been interpreted to allow a court to order arbitration when there is a valid arbitration agreement between the parties, other than those found in collective bargaining agreements.

The dispute in North Valley concerned whether the provision in the AAA, which states that it has “no application to arbitration agreements between employers and employees or their respective representatives” (A.R.S. § 12-1517), applied to all employment agreements or only to collective bargaining agreements. The court ruled that all employer and employee agreements are exempted from the provisions of the AAA. What this means is that where the arbitration agreement is between an employer and an employee, the court cannot order arbitration under the authority of the AAA.

The Court did not decide, but left open the possibility that arbitration agreements might still be enforceable under other theories. For example, an arbitration agreement might be enforceable as a common law contract or the arbitration agreement might be enforceable under the Federal Arbitration Act.

If your company has employment agreements in Arizona that contain arbitration clauses, it would be prudent to review the enforceability of those agreements with legal counsel and consider what steps, if any, are available to have employment disputes resolved in arbitration in light of the Arizona Supreme Court’s ruling.

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A HISTORY TO LEVERAGE

Donald R. Gilbert co-chairs the firm's labor and employment practice. He has represented clients in connection with a broad range of employment-related issues before the NLRB, the EEOC, the Department of Labor, the Arizona Civil Rights Division and the Arizona Department of Economic Security. He has tried more than 100 labor arbitrations, has litigated employment disputes in both state and federal courts, and counsels clients on a wide range of employment issues. He received his B.A. (1968) from Stanford University and his J.D. (1971) from the University of California.

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