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UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF CALIFORNIA

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BENJAMIN CORIN, an individual,  
Plaintiff,

NO. CIV. S-09-2384 FCD/KJM

v.

MEMORANDUM AND ORDER

CINTAS CORPORATION, CINTAS  
CORPORATE SERVICES, INC.,  
CINTAS CORPORATION NO. 2, PAUL  
PRIMERANO, JOE STARON, and  
ELIZABETH HALL,

Defendants.

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This matter is before the court on defendants Cintas Corporation, Cintas Corporate Services, Inc., Cintas Coporation No. 2, Paul Primerano, Joe Staron and Elizabeth Santilli's<sup>1</sup> (collectively, "defendants") motion to dismiss, or alternatively stay, this action pending arbitration.<sup>2</sup> Defendants move for an

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<sup>1</sup> Elizabeth Santilli is erroneously sued as Elizabeth Hall.

<sup>2</sup> Defendant Cintas Corporation No. 2 filed the instant motion, as at that time it was the only defendant who had been served. Subsequently, the other named defendants joined in the

1 order compelling plaintiff Benjamin Corin ("plaintiff") to submit  
2 his claims to arbitration pursuant to the terms of an Employment  
3 Agreement plaintiff entered with defendant companies upon the  
4 commencement of his employment.<sup>3</sup> In this action, plaintiff  
5 alleges various claims relating to his employment with defendants  
6 and the ultimate termination of his employment by defendants.<sup>4</sup>  
7 Defendants contend all of plaintiff's claims are subject to the  
8 arbitration provision contained in plaintiff's Employment  
9 Agreement.

10 Plaintiff opposes the motion, arguing in the first instance,  
11 that defendants have waived their right to compel arbitration by  
12 refusing to meet and confer in good faith with plaintiff before  
13 demanding arbitration; plaintiff maintains that the Employment  
14 Agreement specifically requires that a party meet and confer to  
15 attempt to resolve any disputes informally before demanding  
16 arbitration, and defendants did not do so. Alternatively,  
17 plaintiff argues (1) the Employment Agreement's arbitration  
18 clause is unenforceable as procedurally and substantively  
19 unconscionable; (2) the individual defendants, as non-signatories

20 \_\_\_\_\_  
21 motion. (See Joinder, filed Nov. 6, 2009.)

22 <sup>3</sup> Because oral argument will not be of material  
23 assistance, the court orders this matter submitted on the briefs.  
E.D. Cal. L.R. 78-230(h).

24 <sup>4</sup> Plaintiff's complaint alleges fifteen claims for  
25 relief, including claims for violation of the Fair Labor  
26 Standards Act and the California Labor Code and Unfair Business  
27 Practices Act, relating to the payment of plaintiff's wages, as  
28 well as claims for breach of written and oral contracts,  
retaliation, wrongful termination, intentional infliction of  
emotional distress, fraud, conversion, unjust enrichment,  
injunctive relief and violation of California's Private Attorney  
General Act. (Compl., filed Aug. 25, 2009.)

1 to the Agreement, cannot compel arbitration; and (3) certain of  
2 plaintiff's claims are not covered by the arbitration provision.

3 For the reasons set forth below, the court DENIES  
4 defendants' motion on the ground the Agreement's arbitration  
5 provision is procedurally and substantively unconscionable.  
6 Because the court reaches this finding, it need not consider  
7 plaintiff's alternative arguments with respect to the individual  
8 defendants' ability to compel arbitration and the scope of the  
9 arbitration clause.

#### 10 BACKGROUND

11 Defendant Cintas Corporation<sup>5</sup> ("Cintas") provides uniforms  
12 and other supplies to businesses, persons and organizations  
13 throughout California and the United States. (Compl., ¶ 9.)  
14 Plaintiff was employed by Cintas as a Uniform Sales Associate  
15 from approximately January 3, 2007 to November 21, 2008, when he  
16 was terminated by Cintas. (Id. at ¶s 8, 20-21.) Plaintiff's job  
17 duties included outside and inside sales and solicitation of  
18 customers and accounts, involving the rental and sales of  
19 uniforms and accessories to large and small businesses located in  
20 Northern California. (Id. at ¶ 13.)

21 On the first day of his employment, plaintiff was asked to  
22 sign the subject Employment Agreement, a standardized Cintas'  
23 contract. (Corin Decl., filed Nov. 24, 2009, ¶s 11-14.) Said

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24  
25 <sup>5</sup> Cintas Coporation is the parent corporation of its  
26 subsidiaries Cintas Corporation No. 2 and Cintas Corporate  
27 Services, Inc. Defendants Paul Primerano, Joe Staron and  
28 Elizabeth Santilli are employees of Cintas. Primerano, the  
Cintas Sales Director, and Staron, the Cintas Sales Manager, were  
plaintiff's supervisors. (Compl., ¶ 13.) Santilli is the Human  
Resources Director at Cintas' corporate office in Sacramento,  
California. (Id. at ¶ 12.)

1 Agreement contained an arbitration clause providing that the  
2 parties agreed that should any dispute or difference arise  
3 between them relating to plaintiff's employment with defendants,  
4 "either party [agrees] to pursue [such] a claim against the other  
5 party . . . through impartial and confidential arbitration,"  
6 conducted pursuant to the Federal Arbitration Act ("FAA") and  
7 other relevant federal and state laws. (Compl., Ex. A at § 8.)  
8 Plaintiff states he was presented with the Agreement among a  
9 stack of documents approximately one inch thick, which included  
10 tax and health and safety related documents. (Corin Decl. at ¶s  
11 5-6.) Plaintiff attests that he understood the contract was a  
12 "take it or leave it" document in that he had no choice but to  
13 either the accept the contract as written by Cintas or not take  
14 the job. (Id. at ¶ 14.) Plaintiff states he was told that he  
15 had to sign the documents before his first day of orientation and  
16 training could proceed. (Id. at ¶ 11.)

17 Plaintiff asserts that Cintas' Human Resources Manager,  
18 Jacqueline Mack ("Mack"), who provided him the documents, was not  
19 available to answer questions, and she did not point out the  
20 arbitration provision or otherwise explain the documents to  
21 plaintiff. (Id. at ¶ 8.) Mack disputes plaintiff's testimony,  
22 stating in her declaration filed in support of the motion, that  
23 she provided plaintiff time to review the Agreement and asked him  
24 whether he had any questions and he responded that he did not.  
25 (Mack Decl, filed Dec. 4, 2009, ¶ 3.) Ultimately, plaintiff  
26 signed the documents and submitted them to Mack; plaintiff states  
27 he never received a copy of the documents, including the  
28 Employment Agreement. (Corin Decl., ¶ 15.)

1 Prior to November 19, 2008, plaintiff alleges he made  
2 various demands to Cintas to pay certain wages, commissions and  
3 bonuses which plaintiff claimed he was legally entitled.  
4 (Compl., ¶s 18-20.) Plaintiff alleges he was terminated by  
5 defendants in retaliation for his assertion of the legal right to  
6 said monies. (Id. at ¶ 21.)

7 Plaintiff retained the law firm of Mastagni, Holstedt,  
8 Amick, Miller & Johnson to represent him. (Carr Decl., filed  
9 Nov. 24, 2009, ¶ 2.) On March 5, 2009, plaintiff's counsel wrote  
10 to Cintas' Chief Executive Officer and Human Resources Department  
11 outlining plaintiff's claims against defendants and requesting  
12 that the parties meet and confer to facilitate an immediate  
13 resolution of plaintiff's claims. (Id. at ¶ 4, Ex. A.) Cintas  
14 did not respond in writing, but plaintiff's counsel subsequently  
15 received a telephone message from a Mr. Max Langenkamp who  
16 indicated he was calling with respect to plaintiff's claims.  
17 (Id. at ¶ 5.) On March 25, 2009, plaintiff's counsel spoke with  
18 Mr. Langenkamp, who is Senior Legal Counsel for Cintas. (Id. at  
19 ¶ 6.) During that conversation, Mr. Lagenkamp agreed to provide  
20 plaintiff's counsel with copies of plaintiff's wages, accounts  
21 and other records relating to plaintiff's earnings and employment  
22 with Cintas. However, Cintas did not subsequently provide the  
23 documents. (Id. at ¶ 7.)

24 On June 2, 2009, plaintiff's counsel sent a follow-up letter  
25 to Mr. Lagenkamp requesting that Cintas meet and confer in good  
26 faith with respect to plaintiff's claims and produce the  
27 documents promised on March 25. (Id. at ¶ 8, Ex. B.) By  
28 separate letter of June 2, plaintiff's counsel also notified

1 Cintas of the "Right to Sue Notice" plaintiff received with  
2 respect to his complaint filed with the California Fair  
3 Employment and Housing Department ("DFEH"). (Id. at ¶ 10, Ex.  
4 C.) Cintas did not respond to either letter. (Id. at ¶s 9-10.)

5 On August 4, 2009, plaintiff's counsel sent a written  
6 request to Cintas for plaintiff's personnel file, payroll records  
7 and accounting records, relating to his wages, commissions,  
8 salary and employment at Cintas. (Id. at ¶ 11, Ex. D.) Also on  
9 August 4, plaintiff's counsel sent copies of plaintiff's Notice  
10 of Private Attorney General Act Claim filed that day with the  
11 California Division of Occupational Safety and Health, Labor and  
12 Workforce Development Agency. (Id. at ¶ 12, Ex. F.) Plaintiff  
13 thereafter received permission to act as a private attorney  
14 general under the Act. (Id. at ¶ 12.)

15 On August 25, 2009, plaintiff filed the instant complaint.  
16 On August 26, 2009, defendants' counsel sent plaintiff's counsel  
17 a letter, enclosing plaintiff's personnel file. (Id. at Ex. E.)  
18 Thereafter, on September 2, 2009, defendants' counsel sent a  
19 letter to plaintiff demanding that plaintiff submit his claims to  
20 arbitration pursuant to the terms of the Employment Agreement.  
21 (Id. at ¶ 16, Ex. H.) Plaintiff's counsel responded that before  
22 any such demand could be made, the Employment Agreement required  
23 that the parties meet and confer in good faith. (Id. at ¶ 17,  
24 Ex. I.) Plaintiff's counsel cited the Employment Agreement,  
25 which provides in pertinent part:

26 Should any dispute or difference arise between Employee  
27 and Employer . . . the parties will confer and attempt  
28 in good faith to resolve promptly such dispute or  
difference . . . If any dispute or difference remains  
unresolved after the parties have conferred in good faith,

1 either party . . . will submit to the other party a  
2 written request to have such claim, dispute or difference  
resolved through impartial and confidential arbitration.

3 (Id. at Ex. G, Employment Agreement, § 8.) Plaintiff's counsel  
4 reiterated that he had requested defendants meet and confer on  
5 the issues but defendants ignored the request, and now, pursuant  
6 to the terms of the Agreement, defendants had waived any right to  
7 demand arbitration of plaintiff's claims. (Id. at ¶s 17-18.)

8 By this motion, defendants move to compel arbitration of  
9 plaintiff's claims and to dismiss or stay these proceedings  
10 pending the arbitration.

#### 11 STANDARD

12 Employment contracts are governed by the FAA. 9 U.S.C. § 1  
13 *et seq*; Allied-Bruce Terminix Companies v. Dobson, 513 U.S. 265,  
14 269 (1995). Questions concerning the interpretation and  
15 enforceability of arbitration agreements subject to the FAA are  
16 determined by federal standards. Moses H. Cone Memorial Hosp. v.  
17 Mercury Constr., 460 U.S. 1, 22-24 (1983); see Slaughter v.  
18 Stewart Enters., Inc., 2007 WL 2255221, at \*2 (N.D. Cal. Aug. 3,  
19 2007) ("Federal substantive law governs the question of  
20 arbitrability."). However, courts apply ordinary state law  
21 contract principles in deciding whether the parties agreed to  
22 arbitrate a particular dispute in the first place.<sup>6</sup> First

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23  
24 <sup>6</sup> Here, the Employment Agreement provides that it shall  
25 be governed and enforced according to the substantive law of the  
26 State of Ohio. However, in moving to compel arbitration,  
27 defendants cite federal and *California* law. Accordingly, the  
28 court analyzes the motion pursuant to that law. See Nagrampa v.  
Mailcoups, Inc., 469 F.3d 1257, 1267 (9th Cir. 2006) (finding a  
waiver of the right to rely on the choice of law provision in the  
contract because although it provided "that the governing law is  
that of the State of Massachusetts, both parties have proceeded  
throughout the district court and on appeal on the assumption

1 Options of Chicago, Inc. v. Kaplan, 514 U.S. 938, 944 (1995).

2 In ruling on a petition to compel arbitration, the court's  
3 inquiry is limited to determining (1) whether a valid agreement  
4 to arbitrate exists and, if it does, (2) whether the agreement  
5 encompasses the dispute at issue. Chiron Corp. v. Ortho  
6 Diagnostic Sys., Inc., 207 F.3d 1126, 1130 (9th Cir. 2000). If  
7 the finding is affirmative on both counts, then the FAA requires  
8 the court to enforce the arbitration agreement in accordance with  
9 its terms. Simula, Inc. v. Autoliv, Inc., 175 F.3d 716, 719 (9th  
10 Cir. 1999).

11 In determining the validity of an agreement, the court  
12 considers whether the arbitration clause is procedurally and  
13 substantively unconscionable. Davis v. O'Melveny & Myers, 485  
14 F.3d 1066, 1072 (9th Cir. 2007). Procedural unconscionability  
15 focuses on oppression or surprise due to unequal bargaining power  
16 between the parties. Armendariz v. Foundation Health Psychcare  
17 Services, 24 Cal. 4th 83, 114 (2000). "A contract is oppressive  
18 if an inequality of bargaining power . . . precludes the weaker  
19 party from enjoying a meaningful opportunity to negotiate and  
20 choose the terms of the contract." Ingle v. Circuit City Stores,  
21 Inc., 328 F.3d 1165, 1171 (9th Cir. 2003). "Surprise" references

22 \_\_\_\_\_  
23 that the franchise agreement is governed by California law"). In  
24 their reply, defendants attempt to argue Ohio law is additionally  
25 relevant; however, they fail to explain why they did not apply  
26 California law in the first instance. Additionally, a defendant  
27 may not raise new issues of law in its reply, and thus, the court  
28 properly disregards defendants' arguments on this issue. Cross  
v. State, 911 F.2d 341, 345 (9th Cir. 1990). Finally, even were  
the court to consider defendants' arguments set forth in the  
reply, they fail to demonstrate any significant difference in  
California and Ohio law which would impact the court's resolution  
of this motion.



1 the extent to which the terms of the bargain are drafted by the  
2 party seeking to enforce the contract and whether terms are  
3 hidden in the prolix printed form. Id. (citing Stirlen v.  
4 Supercuts, Inc., 51 Cal. App. 4th 1519, 1532 (1997)).

5 Ultimately, procedural unconscionability focuses on the manner in  
6 which the agreement was negotiated. Martinez v. Master  
7 Protection Corp., 118 Cal. App. 4th 107, 113 (2004).

8 Substantive unconscionability, on the other hand, "focuses  
9 on the terms of the agreement and whether those terms are so one-  
10 sided as to *shock the conscience.*" Soltani v. Western & Southern  
11 Life Ins. Co., 258 F.3d 1038, 1043 (9th Cir. 2001) (emphasis in  
12 original). In evaluating the substance of a contract, courts  
13 must analyze the terms of the contract as of "the time [it] was  
14 made." A&M Produce Co. v. FMC Corp., 135 Cal. App. 3d 473, 487  
15 (1982).

16 Both procedural and substantive unconscionability is  
17 required to invalidate an arbitration clause. However, the two  
18 aspects need not be present to the same degree. The more  
19 "substantively oppressive the contract term, the less evidence of  
20 procedural unconscionability is required to come to the  
21 conclusion that the term is unenforceable, and vice versa."  
22 Armendariz, 24 Cal. 4th at 114.

23 In determining whether the arbitration clause encompasses  
24 the dispute at issue, the Ninth Circuit has generally held  
25 arbitration clauses to be "expansively interpreted." Simula, 175  
26 F.3d at 721. Therefore, a plaintiff's allegations need only  
27 "touch matters" covered by the contract containing the  
28 arbitration clause. Id. (citing Mitsubishi Motors Corp. v. Soler

1 Chrysler-Plymouth, Inc., 473 U.S. 614, 624 n. 13 (1985)).

2 Because the court finds the arbitration clause, here,  
3 invalid as procedurally and substantively unconscionable, it does  
4 not reach the question of whether the clause encompasses the  
5 claims for relief at issue.

6 **ANALYSIS**

7 As a threshold issue, plaintiff argues the court should deny  
8 defendants' motion on the ground defendants waived the right to  
9 compel arbitration by refusing to meet and confer with plaintiff  
10 about his claims prior to demanding arbitration. Waiver of a  
11 constitutional right to arbitration is not favored. Lake  
12 Communications, Inc. v. ICC Corp., 738 F.2d 1473, 1377 (9th Cir.  
13 1984). Any examination of whether the right to compel  
14 arbitration has been waived must be conducted in light of the  
15 strong federal policy favoring enforcement of arbitration  
16 agreements. Moses H. Cone Hosp., 460 U.S. at 24-25 (as a matter  
17 of federal law, any doubts concerning the scope of arbitrable  
18 issues should be resolved in favor of arbitration, whether the  
19 issue is the construction of the contract language itself or an  
20 allegation of waiver, delay, or a like defense to arbitrability).  
21 Because waiver of the right to arbitration is disfavored, any  
22 party arguing waiver of arbitration bears "a heavy burden of  
23 proof." Fisher v. A.G. Becker Paribas Inc., 791 F.2d 691, 694  
24 (9th Cir. 1986) (citations omitted).

25 Thus, the Ninth Circuit has held a party seeking to prove a  
26 waiver of a right to arbitrate must demonstrate: (1) knowledge of  
27 an existing right to compel arbitration; (2) acts inconsistent  
28 with that existing right to compel arbitration; and (3) prejudice

1 to the party opposing arbitration resulting from such  
2 inconsistent acts. Id. Inconsistent behavior alone is not  
3 sufficient. The party opposing arbitration must have suffered  
4 prejudice. ATSA of Cal., Inc. v. Continental Insur. Co., 702  
5 F.2d 172, 175 (9th Cir. 1983).

6 Here, defendants do not dispute that, at all relevant times,  
7 they knew of the arbitration clause. Significantly, defendants  
8 also do not offer any opposition to plaintiff's evidence,  
9 describing defendants' refusal to meet and confer with plaintiff  
10 regarding his claims.<sup>7</sup> As such, the court properly finds that  
11 defendants acted inconsistently with their claimed right to  
12 arbitration of the instant dispute. The Agreement required that  
13 defendants meet and confer in good faith prior to demanding  
14 arbitration. They failed to do so, evidencing a lack of reliance  
15 on the arbitration clause. Moreover, for nearly five months,  
16 plaintiff's counsel regularly contacted defendants attempting to  
17 resolve plaintiff's claims informally. Defendants never  
18 mentioned an obligation to arbitrate the parties' dispute;  
19 defendants first demanded arbitration only after plaintiff filed  
20 suit.

21 However, to prevail in demonstrating a waiver of the right  
22 to arbitration, plaintiff must show how he was prejudiced by  
23 defendants' actions. ATSA of Cal., 702 F.2d at 175. Plaintiff  
24 wholly fails to make this showing. Indeed, plaintiff fails to  
25 even acknowledge this requirement in his opposition, and he does  
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27 <sup>7</sup> Defendants did not offer any rebuttal declaration to  
28 plaintiff counsel Carr's declaration, nor do they discuss in any  
respect plaintiff's statement of the facts, as described herein,  
in their reply.

1 not discuss prejudice in any respect in his papers.

2       Moreover, the court cannot discern any prejudice by virtue  
3 of defendants' actions. During the process of attempting to meet  
4 and confer with defendants, plaintiff continued to pursue his  
5 claims against defendants by filing DFEH and California Private  
6 Attorney General claims. Within five months of retaining counsel  
7 to represent him, plaintiff filed the instant action. The  
8 action, filed August 25, 2009, remains in its preliminary stages.  
9 A scheduling order has yet to issue and no discovery has taken  
10 place. Nothing about defendants' actions has prevented plaintiff  
11 from litigating this case under normal circumstances. Brownstone  
12 Invest. Group, LLC v. Levey, 514 F. Supp. 2d 536, 551 (S.D.N.Y.  
13 2007) (recognizing that pretrial expense and delay, without more,  
14 do not constitute prejudice sufficient to support waiver but  
15 rather prejudice is only properly found where, for example, a  
16 party's legal position is damaged by the opposing party's delay  
17 in moving for arbitration). Here, there has been no delay or  
18 evidence of unjustified pretrial expense, and plaintiff's legal  
19 positions in this case have not been impeded by defendants'  
20 assertion of the right to arbitrate at this time. Therefore,  
21 because plaintiff has not shown that he has suffered any  
22 prejudice by defendants' actions, nor can the court discern any,  
23 the court cannot find a waiver of the right to arbitrate.

24       Next, plaintiff argues that the arbitration clause is  
25 unenforceable as procedurally and substantively unconscionable.  
26 Under California law, "the critical factor in procedural  
27 unconscionability analysis is the manner in which the contract or  
28 the disputed clause was presented and negotiated." Nagrampa v.

1 Mailcoups, Inc., 469 F.3d 1257, 1282 (9th Cir. 2006). In this  
2 case, the arbitration provision was presented as part of an  
3 employment agreement. Courts have routinely recognized that  
4 where an arbitration clause, contained within an employment  
5 contract, is "cast in a 'take it or leave' light and presented as  
6 [a] standard non-negotiable provisio[n], the procedural element  
7 of unconscionability is satisfied." Furquson v. Countrywide  
8 Credit Industries, Inc., 298 F.3d 778, 784 (9th Cir. 2002)  
9 (finding arbitration clause procedurally unconscionable because  
10 it was imposed on employees as a condition of employment and was  
11 non-negotiable); accord Stirlen v. Supercuts, Inc., 51 Cal. App.  
12 4th 1519 (1997).

13       Such was similarly the case here. Plaintiff was required to  
14 accept the Employment Agreement, a standardized, pre-printed form  
15 drafted by defendants, which contained the arbitration clause or  
16 decline defendants' job. Plaintiff was not given an opportunity  
17 to negotiate the Agreement's terms, and defendants did not  
18 specifically explain the terms to plaintiff, nor was plaintiff  
19 given an opportunity to consult with an attorney regarding the  
20 Agreement's provisions. Plaintiff attests that he never received  
21 a copy of the Agreement and was ultimately surprised by  
22 defendants' demand for arbitration because he was not aware of  
23 the provision. (Corin Decl., ¶ 17.) "A contract is oppressive  
24 if an inequality of bargaining power between the parties  
25 precludes the weaker party from enjoying a meaningful opportunity  
26 to negotiate and choose the terms of the contract." Ingle v.  
27 Circuit City Stores, Inc., 328 F.3d 1165, 1171 (9th Cir. 2003)  
28 (holding arbitration clause procedurally unconscionable where the

1 clause was presented as part of the employer's standard  
2 employment agreement which the employer made a prerequisite to  
3 employment and job applicants were not permitted to modify the  
4 agreement's terms, instead they had to "take the contract or  
5 leave it").

6 Defendants' contention that plaintiff had ample time to  
7 review the contract, which they allege was "straightforward and  
8 plain" in its language, is unavailing. Courts have plainly  
9 rejected such arguments. See e.g. Ferguson, 298 F.3d at 784.  
10 Where a plaintiff has no meaningful opportunity to "opt out" of  
11 the arbitration provision, and has no power to negotiate any  
12 terms of the agreement, the court cannot find the arbitration  
13 provision procedurally valid. Circuit City Stores, Inc. v.  
14 Mantor, 335 F.3d 1101, 1106 (9th Cir. 2003) (holding that at a  
15 minimum, a party must have reasonable notice of his opportunity  
16 to negotiate or reject the terms [of such] a contract, and he  
17 must have had an actual, meaningful and reasonable choice to  
18 exercise that discretion.") In this case, defendants presented  
19 the arbitration provision on an "adhere-or-reject basis," and  
20 thus, the court must find the arbitration provision procedurally  
21 unconscionable.

22 The court likewise finds grounds to conclude that the  
23 arbitration provision is substantively unconscionable.  
24 Substantive unconcionability is found where the agreement is  
25 one-sided or overly harsh in its results. Armendariz, 24 Cal.  
26 4th at 114. The key consideration in finding substantive  
27 unconscionability is a lack of mutuality. Nagrampa, 469 F.3d at  
28 1281. Without mutuality, "arbitration appears less as a forum

1 for neutral dispute resolution and more a means of maximizing  
2 employer advantage. Arbitration was not intended for this  
3 purpose." Armendariz, 24 Cal. 4th at 118.

4 Thus, courts have held that substantive unconscionability  
5 exists when an arbitration agreement gives one party the right to  
6 choose its judicial forum and eliminates such choice for the  
7 other party. Nagrampa, 429 F.3d at 1287. An agreement

8 lacks basic fairness and mutuality if it requires one  
9 contracting party, but not the other, to arbitrate all  
10 claims arising out of the same transaction or occurrence  
or series of transactions or occurrences.

11 Armendariz, 24 Cal. 4th at 120. For example, in Armendariz, the  
12 California Supreme Court found the arbitration provision at issue  
13 there substantively unconscionable because an employee allegedly  
14 terminated for stealing trade secrets was required to submit his  
15 wrongful termination claim to arbitration, while the employer  
16 could pursue a trade secrets claim against the employee in court.  
17 Id.; see also Ferguson, 298 F.3d at 785 (finding an arbitration  
18 clause substantively unconscionable because it "compels  
19 arbitration of the claims employees are most likely to bring  
20 against [the employer] . . . [but] exempts from arbitration the  
21 claims [the employer] is most likely to bring against its  
22 employees").

23 The arbitration provision in this case likewise contains  
24 similar wholly, one-sided provisions benefitting the employer.  
25 The Employment Agreement specifies certain claims that plaintiff  
26 must submit to arbitration, including claims for unpaid wages,  
27 wrongful termination and employment discrimination claims.  
28 (Compl., Ex. A at 5, § 8.) Such claims are the types of claims

1 typically brought by employees against their employers. Martinez  
2 v. Master Protection Corp., 118 Cal. App. 4th 107, 115 (2004).  
3 Yet, the Agreement excludes from the arbitration provision those  
4 claims typically brought by an employer against its employee,  
5 including claims defendants may have against plaintiff for trade  
6 secret violations, misuse or disclosure of confidential  
7 information or unfair competition. (Compl., Ex. A at 3-6, §§ 4,  
8 8.)

9  
10 The California Supreme Court in Armendariz made clear that,  
11 at a minimum, a "modicum of bilaterality" is required for an  
12 arbitration clause to be enforceable. "[G]iven the disadvantages  
13 that may exist for plaintiffs arbitrating disputes, it is  
14 unfairly one-sided for an employer with superior bargaining power  
15 to impose arbitration on the employee as plaintiff but not to  
16 accept such limitations when it seeks to prosecute a claim  
17 against the employee." Armendariz, 24 Cal. 4th at 117. Here,  
18 where plaintiff must arbitrate all claims he is most likely to  
19 have against defendants but defendants are permitted to litigate  
20 their most likely claims against plaintiff in court, mutuality is  
21 not present. The lack of mutuality in the employer and  
22 employee's access to judicial resolution renders the arbitration  
23 clause substantively unconscionable. Ingle, 328 F.3d at 1173  
24 (finding arbitration clause lacked the requisite "modicum of  
25 bilaterality" where the provision applied only to "any and all  
26 employment related legal disputes, controversies or claims of an  
27 [employee]").



1 Defendants contend that the disparities in the arbitration  
2 provision are justified based on the "business realities" of  
3 defendants' industry. Defendants are correct that in Armendariz  
4 the Court remarked that a certain amount of "one-sidedness" may  
5 be justified based on the reasonable "business realities" of a  
6 company. 24 Cal. 4th at 118. However, such business  
7 justifications must be proven. Id. Following Armendariz, courts  
8 have routinely rejected bald assertions, like defendants make  
9 here, that the disparity in the arbitration provision is  
10 justified by an employer's interest in protecting its proprietary  
11 information. Nagrampa, 469 F.3d at 1287 (noting that "California  
12 courts routinely have rejected this justification as a legitimate  
13 basis for allowing only one party to an agreement access to the  
14 courts"). Defendants make no specific showing demonstrating why  
15 its businesses' needs require that the companies retain access to  
16 the courts. As such, this court must find the arbitration clause  
17 substantively unconscionable.

18 Plaintiff asserts alternative bases for finding the  
19 provision's terms substantively unconscionable; however, the  
20 court need not reach those issues as considering the significant  
21 level of procedural unconscionability in conjunction with the  
22 substantive defects set forth above, the court properly finds the  
23 arbitration clause unenforceable. Armendariz, 24 Cal. 4th at  
24 114.

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1 **CONCLUSION**

2 For the foregoing reasons, defendants' motion to compel  
3 arbitration and dismiss or stay these proceedings is DENIED.

4 IT IS SO ORDERED.

5 DATED: December 18, 2009

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FRANK C. DAMRELL, JR.  
UNITED STATES DISTRICT JUDGE

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