

*In the*  
**Supreme Court**  
*of the*  
**State of California**

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ARSHAVIR ISKANIAN,

*Plaintiff and Appellant,*

v.

CLS TRANSPORTATION OF LOS ANGELES,

*Defendant and Respondent.*

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CALIFORNIA COURT OF APPEAL · SECOND APPELLATE DISTRICT · NO. B235158  
SUPERIOR COURT OF LOS ANGELES · HON. ROBERT L. HESS · NO. BC356521

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**APPLICATION FOR LEAVE TO FILE BRIEF AMICUS CURIAE AND BRIEF  
AMICUS CURIAE OF ASSOCIATION OF CORPORATE COUNSEL IN SUPPORT  
OF RESPONDENT, CLS TRANSPORTATION OF LOS ANGELES**

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**APPLICATION FOR PERMISSION TO FILE *AMICUS CURIAE***  
**BRIEF AND STATEMENT OF INTEREST OF *AMICUS CURIAE***

**TO THE HONORABLE TANI GORRE CANTIL-SAKAUYE,  
CHIEF JUSTICE, AND THE HONORABLE ASSOCIATE  
JUSTICES OF THE SUPREME COURT OF CALIFORNIA:**

Pursuant to California Rule of Court 8.200(c), *amicus curiae*

Association of Corporate Counsel respectfully requests permission to file the accompanying brief in support of CLS Transportation of Los Angeles, the defendant and respondent in this case. This brief will assist the Court by making clear how arbitration agreements help to reduce the time and delay involved in resolving employment disputes, and therefore how critical arbitration agreements are to in-house counsel and their clients.

The Association of Corporate Counsel<sup>1</sup> is a global bar association that promotes the common professional and business interests of in-house counsel. ACC has over 30,000 members who are in-house lawyers employed by over 10,000 organizations in more than 75 countries. Our four California chapters – in Southern California, Sacramento, San Diego, and the San Francisco Bay Area – together have nearly 4,500 in-house lawyers

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<sup>1</sup> The Association of Corporate Counsel, also referred to in this brief as “ACC,” is a non-profit corporation registered under the laws of Washington, D.C. ACC not publicly held and issues no stock. ACC certifies that no party’s counsel authored this brief in whole or in part, that no party’s counsel contributed money to fund preparing or submitting the brief, and that no person – other than ACC, its members, or its counsel – contributed money to fund preparing or submitting this brief.

as members. Many of our members routinely help their companies minimize expense and delay by drafting and agreeing to arbitration contracts to resolve disputes cheaply and quickly in a wide range of areas, including employment. Indeed, in-house counsel use arbitration and other methods of alternative dispute resolution in employment matters more than in any other area.<sup>2</sup>

For 30 years, ACC has advocated to ensure that courts, legislatures, regulators, bar associations, and other law or policy-making bodies understand the role and concerns of in-house counsel and the legal departments where they work. One of ACC's key missions is to promote methods that in-house counsel and outside law firms can use to deliver more legal value for lower costs. Arbitration – both keeping it available, and expanding its use – helps achieve that goal.

Building on seismic changes occurring within the legal services industry, our “ACC Value Challenge” presses law departments within companies and the outside counsel they retain to adopt common sense business principles, such as project and process management or value-based fee arrangements.<sup>3</sup> In particular, our ACC Value Challenge helps to

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<sup>2</sup> See Michael T. Burr, *The Truth about ADR: Do Arbitration and Mediation Really Work?*, 14 CORP. LEGAL TIMES 44, 48 (2004).

<sup>3</sup> For more about ACC's Value challenge, see ACC Value Challenge – About, available at <http://www.acc.com/valuechallenge/about/index.cfm>.

dissuade outside counsel from treating every dispute as a struggle demanding gold-plated outside counsel and intricate procedures.

Because this case will directly affect in-house counsel and their employers, the Association of Corporate Counsel respectfully requests leave to file the attached brief.

Dated: May 13, 2013

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**AMICUS CURIAE BRIEF IN SUPPORT OF  
CLS TRANSPORTATION OF LOS ANGELES,  
DEFENDANT AND RESPONDENT**

**I. INTRODUCTION AND INTEREST OF AMICUS**

Arbitration is a proven strategy that in-house counsel use to save time and money. This is especially so in the employment area, given the sheer number of disputes that can arise. Litigation greatly and needlessly multiplies cost and delay in employment disputes. In-house counsel know this from their experience. Many studies have established it from empirical examinations, especially in the employment context. And the U.S. Supreme Court has confirmed the point in its decisions.

It is especially important for ACC's members to know that they can rely on a single standard to govern the validity of employment arbitration agreements. Our members and their clients (meaning, their employers) increasingly practice law in multiple jurisdictions. The companies that many of our members work for have operations that span many states. For the sake of efficiency and certainty, our members need to know that if they write a model employment arbitration contract, it will apply in every state within the United States. If California, or any other state, had a special policy to escape employment arbitration agreements, our members and their clients would face a shifting checkerboard of rules and regulations. They would not know when or whether an arbitration contract their clients agreed to would apply. And they would need to enter into expensive and protracted

employment litigation much more frequently. Therefore, our members have a direct interest in defending the Federal Arbitration Act’s policy of requiring every state to honor arbitration agreements with equal force.<sup>4</sup>

Just as our members rely on the Constitution’s Supremacy Clause, U.S. Const., art. VI, cl. 2, to ensure that the FAA applies evenly across all of the states, they also rely on the Supremacy Clause to ensure uniform treatment under a host of federal laws. Collectively, our members represent companies whose work spans the entire range of business, for-profit and non-profit, much of it heavily regulated. They must constantly comply with a host of federal laws involving labor and employment, the environment, healthcare, technology, taxes, and financial services, to name just a few areas. At the same time, many of our members work for companies whose operations extend into several states, or even nationally and globally. To help their clients’ businesses run smoothly, our members rely on the Supremacy Clause’s promise of uniform treatment. Ignoring that promise here might risk weakening the whole foundation of federal law that their employers’ businesses rely on.

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<sup>4</sup> See 9 U.S.C. § 2, stating:  
A written provision in any maritime transaction or a contract evidencing a transaction involving commerce to settle by arbitration a controversy thereafter arising out of such contract or transaction . . . shall be valid, irrevocable, and enforceable, save upon such grounds as exist at law or in equity for the revocation of any contract.

This *amicus* brief also refers to the Federal Arbitration Act as the “FAA.”

## II. ARGUMENT

### A. **Arbitration cuts costs and delay for in-house counsel and their clients.**

Given the flood of disputes that swamp the U.S. legal system every year, it is critical for in-house counsel to manage dockets more efficiently. This is all the more important when it comes to avoiding class actions, with their interminable procedures and discovery, as well as their exorbitant cost. To that end, in-house counsel and their employers rely on arbitration to resolve disputes more quickly and cheaply than litigation.

#### 1. **In-house counsel and their clients depend on arbitration.**

In-house counsel view arbitration as “integral” to their jobs. Michael T. Burr, *The Truth about ADR: Do Arbitration and Mediation Really Work?*, 14 CORP. LEGAL TIMES 44, 44 (2004). According to a poll of in-house counsel, 59.3 percent view arbitration as cheaper than litigation, and 78 percent view it as faster. *Id.* at 45, 48. In-house counsel have this view of commercial disputes generally, and of employment and labor disputes in specific – that category ranks as the most frequent area in which in-house counsel used alternate dispute resolution techniques during the previous year. *Id.* at 48.

The benefits of arbitration reach far beyond the bottom line of the employers of in-house counsel. With arbitration, companies can quickly and fairly address disputes “that might otherwise occupy management’s

attention for months or years.” 14 CORP. LEGAL TIMES at 46. The time and money savings that arbitration provide “can increase productivity” and also “reduce employee turnover.” Samuel Estreicher & Michael Heise, *Assessing the Case for Employment Arbitration: A New Path for Empirical Research*, 57 STAN. L. REV. 1557, 1589 (2005). In fact, the benefits that flow from the efficiencies of arbitration “are numerous and difficult to overstate.” *Id.*

Given these benefits, it is no wonder that in-house counsel and their companies now use arbitration as a basic tool to resolve disputes, both generally and in employment specifically. For instance, while in 1992 only about two percent of employers used arbitration to resolve disputes with non-union employees, in 2007 as many as 25 percent of employers used them. Alexander J.S. Colvin, *Empirical Research on Employment Arbitration: Clarity Amidst the Sound and the Fury*, EMPLOYEE RIGHTS AND EMPLOYMENT. POL’Y J., 405, 408, 411 (2007). Another estimate indicates that nearly 37 percent of employment contracts include arbitration clauses. Christopher R. Drahozal & Stephen J. Ware, *Why Do Businesses Use (Or Not Use) Arbitration Clauses*, 25 OHIO. ST. J. ON DISP. RESOL. 433, 440 (2010). Even among chief executive officers, over 41 percent of their employment contracts include arbitration clauses. Stewart J. Schwab & Randall S. Thomas, *An Empirical Analysis of CEO Employment*

*Contracts: What Do Chief Executives Bargain For?*, 63 WASH. & LEE L. REV. 231, 234 (2006).

In short, in-house counsel use arbitration agreements because they help everyone involved, and assist in-house counsel to let their employers focus on business rather than litigation.

**2. Empirical studies confirm the efficiencies of arbitration.**

A host of studies confirm the economics and efficiencies of arbitration, in employment disputes and also more generally. Of course, what prompts companies and their legal departments to seek out alternatives in the first place is the sheer inefficiency, excess, and expense inherent to litigation. According to a federal government report, the in-house legal department at one company created a policy including arbitration of employment disputes:

after spending over \$400,000 to defend itself in a discrimination suit. Although the company prevailed in the case, an official referred to it as “*the case nobody won*,” because of the human and financial costs it involved.

U.S. GEN. ACCOUNTING OFFICE, GAO/GGD-97-157, *Alternative Dispute Resolution: Employers’ Experiences with ADR in the Workplace* 8 (1997) (emphasis added).<sup>5</sup>

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<sup>5</sup> Another federal report similarly captures the runaway waste of litigation. It states, “for every dollar transferred in litigation to a deserving claimant, another dollar must be expended on attorney fees and other costs of handling both meritorious and non-meritorious claims . . . .” John

**a. Arbitration saves time for in-house counsel and their clients.**

There is no serious rebuttal to the fact that arbitration saves time.

“All of the available studies have found the time from the commencement of the dispute to its resolution is shorter in arbitration than litigation.” Peter B. Rutledge, *Arbitration Reform: What We Know And What We Need To Know*, 10 CARDOZO J. CONFLICT RESOL. 579, 582 (2009).

The savings are significant. One study establishes that arbitrations close about 33 percent faster than litigation in employment discrimination cases (median length of 16 months versus 25 months). Michael Delikat & Morris Kleiner, *An Empirical Study of Dispute Resolution Mechanisms: Where Do Plaintiffs Better Vindicate Their Rights?*, 58 DISPUTE RESOL. J. 56, 58 (Nov. 2003 - Jan. 2004). Other studies indicate even starker time savings. One – also of employment discrimination cases – found that litigation averaged about 8.6 months, compared to just under two years for litigation, making arbitration more than twice as fast. 57 STAN. L. REV. at 1572. And another – this time of employment cases not addressing discrimination issues – found that the arbitration on average closed after

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Thomas Dunlop, U.S. Dep’t of Labor & U.S. Dep’t of Commerce, *Fact Finding Report: Commission on the Future of Worker-Management Relations* (1994), at 109-110, citing James Dertouzos, Elaine Holland, and Patricia Ebenere, *The Legal and Economic Consequences of Wrongful Termination* (Rand Inst. for Civil Justice) (1988) (Dunlop Report available at [http://digitalcommons.ilr.cornell.edu/key\\_workplace/276/](http://digitalcommons.ilr.cornell.edu/key_workplace/276/)).

250 days, compared to 723 days in litigation, making arbitration *nearly three times* faster. *Id.* at 1572-1573.

**b. Arbitration also saves money.**

Arbitration offers equally substantial cost savings. For instance, the legal department quoted above that instituted a policy including arbitration found that, within three years, it spent less than half of its previous budget for legal fees to resolve workplace disputes. GAO Report at 19. And legal fees, viewed alone, remarkably fell by “about 90 percent.” *Id.* at 40.

Other studies bear this out. According to one, an employer that used alternate dispute resolution for employment matters “cut its outside counsel fees in half.” 57 STAN. L. REV. AT 1589. Another found that arbitration lowered defense costs in employment discrimination cases from an average of \$96,000 per case in litigation to \$20,000 in arbitration. Christopher R. Drahozal, *Arbitration Costs and Forum Accessibility: Empirical Evidence*, 41 U. MICH. J. L. REFORM, 813, 830 (2008). That’s a nearly *five-fold* savings. And a third study found that the parties involved in all of the employment cases within a single arbitral institution had saved “between \$19 million and \$146 million” in fees by forgoing litigation. Peter B. Rutledge, *Whither Arbitration?*, 6 GEO. J.L. & PUB. POL’Y, 549, 584 (2008). Nearly \$150 million is a lot of money, which otherwise would have gone to pay outside counsel.

### **3. The U.S. Supreme Court recognizes that arbitration saves time and money.**

Given the real savings in time and money that arbitration offers, it is no surprise that the U.S. Supreme Court also recognizes arbitration's benefits.

As the Court recently highlighted in *AT&T Mobility, LLC v. Concepcion*, 131 S. Ct. 1740 (2011), “[t]he overarching purpose of the FAA . . . is to ensure the enforcement of arbitration agreements according to their terms so as to *facilitate streamlined proceedings*.” *Id.* at 1748. It left no doubt that it was referring to the ability of arbitration proceedings to save money and to save time. “[T]he informality of arbitral proceedings is itself desirable, reducing the cost and increasing the speed of dispute resolution.” *Id.* at 1749. And the Court’s enthusiasm for arbitration echoes that of Congress, where a House of Representatives report on the FAA notes that “the costliness and delays of litigation . . . can be largely eliminated by agreements for arbitration.” H.R. Rep. No. 96, 68th Cong., 1st Sess., 2 (1924) (quoted in *Concepcion*, 131 S. Ct. at 1749) (internal citation omitted). *See also Dean Witter Reynolds Inc. v. Byrd*, 470 U.S. 213, 220 (1985) (stating “[t]his is not to say that Congress was blind to the potential benefit of the legislation for expedited resolution of disputes. Far from it . . .”).



The U.S. Supreme Court's enthusiasm for arbitration's speed and economy comes through loud and clear in a long string of cases, even before *Concepcion*. In *Stolt-Nielsen S.A. v. AnimalFeeds Int'l Corp.*, 559 U.S. 662, 130 S. Ct. 1758 (2010), the Court stated that the "benefits of private dispute resolution" include "lower costs, greater efficiency and speed . . ." *Id.* at 1775. A year earlier, the Court stated that "[p]arties generally favor arbitration precisely because of the economics of dispute resolution." *14 Penn Plaza LLC v. Pyett*, 556 U.S. 247, 257 (2009). See also *Dean Witter*, 470 U.S. at 221 (discussing "two goals of the Arbitration Act – enforcement of private agreements and encouragement of efficient and speedy dispute resolution").

The Court has even homed in on contexts in which arbitration might take place that speak to aspects of the *Iskanian* case. It has touted arbitration's usefulness in resolving employment disputes in specific. "Arbitration agreements allow parties to avoid the costs of litigation, a benefit that may be of particular importance in employment litigation, which often involves smaller sums of money than disputes concerning commercial contracts." *Circuit City Stores, Inc. v. Adams*, 532 U.S. 105, 123 (2001). As Justice Anthony Kennedy's opinion for the Court continued, "we have been clear in rejecting the supposition that the advantages of the arbitration process somehow disappear when transferred to the employment context." *Id.* at 123.

And the Court struck down a state law requiring exhaustion prior to arbitration – a law in many ways analogous to the California “private attorney general act” at issue here. According to the Court, such a law would “at the least, hinder . . . speedy . . . resolution of the controversy.” *Preston v. Ferrer*, 552 U.S. 346, 358 (2008).

Significantly, the two benefits of arbitration that the U.S. Supreme Court has so heavily promoted – speed and price – are the very issues that make arbitration so appealing to in-house counsel and their clients.

**B. Reversal would severely burden in-house counsel and their companies.**

If this Court reverses, in-house counsel would have no way of knowing which arbitration clauses remained in force. This would be a problem anywhere, given the immense benefits that arbitration provides, discussed above. But California is not just any state. It has the largest population in the country by a margin of nearly 12 million people, and contains over 12 percent of the entire population of the United States.<sup>6</sup> California cranked out a massive gross domestic product of nearly \$2 trillion in 2011, by far the largest of any state in the country, which makes up over 13 percent of the country’s entire GDP.<sup>7</sup> The state is a hub of

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<sup>6</sup> For California and U.S. populations, *see* <http://quickfacts.census.gov/qfd/states/06000.html>. For population of Texas, *see* <http://quickfacts.census.gov/qfd/states/48000.html>.

<sup>7</sup> Press Release, *Widespread Economic Growth Across States in 2011*, Bur. of Econom. Analysis of the U.S. Dep’t of Commerce, (June 5, 2012)

regional, national, and international commerce that touches a sizeable number of the country's and the globe's businesses.

If this Court provides a way for employees to evade the arbitration commitments they made, the effects will travel far and wide. To start, companies across the state, the nation, and the globe would need to consider rewriting their employment arbitration contracts that apply in California. Indeed, they might need to think about revising arbitration contracts in California for any area that a "private attorney general act" covers – or even might cover in the future. These could reach an almost countless number of areas. For instance, they might include arbitration contracts for many consumer goods and services, for brokerage services, and for franchises. In essence, this Court's decision could affect any area of possible dispute where people try to avoid the risk of litigation by agreeing to arbitration. Every company that seeks to use arbitration to reduce legal expense and delay may need to consider researching and drafting at least two versions on hand, one for California and one for everywhere else.

It's possible that even all of those revisions would still leave the clients of in-house counsel vulnerable. If this Court reverses, in-house legal departments would lose the certainty of knowing that they can avoid the

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at Table 4, available at  
[http://www.bea.gov/newsreleases/regional/gdp\\_state/2012/pdf/gsp0612.pdf](http://www.bea.gov/newsreleases/regional/gdp_state/2012/pdf/gsp0612.pdf).

quagmire of litigation. In-house counsel and their companies have flocked to arbitration precisely to avoid the unnecessary expense, cost, and distraction of litigation, as is discussed above. This Court, if it reverses, would yank away the protection and certainty that the parties have bargained for.

And California wouldn't be alone. If this Court reverses and provides a back-door to allow parties to wiggle out of their arbitration commitments, other states would notice. They may start to adopt similar legal dodges within their own borders. These maneuvers would rip and tear at the blanket protection for arbitration agreements that Congress intended to provide through the Federal Arbitration Act, and that in-house counsel rely on.

**C. In-house counsel rely on the Supremacy Clause in many areas beyond arbitration.**

The FAA is far from the only federal law that in-house counsel and their companies rely on. In-house lawyers work at companies that operate in virtually every industry in existence. And those industries rely on the consistency that federal laws provide throughout the United States. Rather than face the burden and confusion of complying with dozens of state laws, or hundred and thousands of local ones, in many areas Congress has stepped in to impose a single set of rules. The Federal Arbitration Act is just one of those. But in-house companies and their members rely on the

Supremacy Clause’s promise of uniform rules in myriad areas. These include, but are by no means limited to, federal laws regulating employment and labor, the environment, taxes, healthcare, technology, antitrust, and transportation. If this Court reverses the decision below, it will encourage others to challenge the preemptive power of laws in these and other areas. That would impose a significant burden on in-house counsel who work at companies whose operations span multiple states. Worse, they might not even know that local law applies until state courts carve out new exceptions to federal laws, case by case. That’s hardly a recipe to ensure that in-house counsel can help their companies comply with all the laws that apply.

\* \* \*

In-house counsel rely on arbitration as a staple to help their clients. Litigation wastes excessive time and money, most of which goes to pay outside counsel. Arbitration helps to stanch that bleeding. Not surprisingly, in-house counsel have worked to greatly expand the frequency of arbitration clauses in many contexts, including but not limited to employment agreements. Empirical studies confirm that arbitration saves significant amounts in legal fees, and in time that company managers would otherwise need to devote to protracted litigation. Opinions from the U.S. Supreme Court buttress that conclusion. If this Court were to reverse the decision below, it would cast significant doubt on the validity of arbitration

agreements generally in California. Reversal would also encourage other states to adopt similar legal machinations to weaken arbitration protections elsewhere. Finally, if this Court disregards the Federal Arbitration Act here, it will set a precedent. That precedent could prompt courts to poke holes in other federal statutes that the Supremacy Clause should protect, and which in-house counsel and their companies rely on to help ensure compliance with the law.

Dated: May 13, 2013

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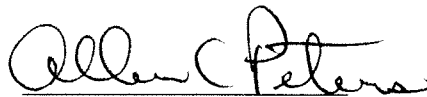
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**CERTIFICATE OF COMPLIANCE**

Counsel hereby certifies that this brief has been prepared using proportionately double-spaced, 13-point Times New Roman typeface. According to the word-count feature of Microsoft Word, this brief contains 3,060 words, up to and including the signature lines that follow the conclusion of the brief, excluding the cover, tables, and application for permission to file.

Dated: May 13, 2013

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I, Kirstin Largent, declare that I am not a party to the action, am over 18 years of age and my business address is: 354 South Spring St., Suite 610, Los Angeles, California 90013.

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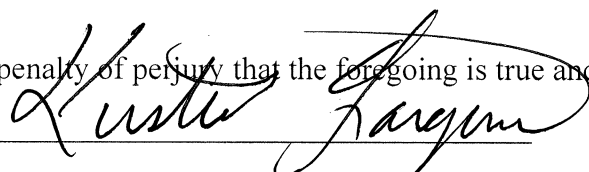
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the address(es) designated by said attorney(s) for that purpose by depositing **the number of copies indicated above**, of same, enclosed in a postpaid properly addressed wrapper in a Post Office Mail Depository, under the exclusive custody and care of the United States Postal Service, within the State of California, or properly addressed wrapper in an Federal Express Official Depository, under the exclusive custody and care of Federal Express, within the State of California

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I declare under penalty of perjury that the foregoing is true and correct:

Signature: 



## SERVICE LIST

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