



CIRCUIT CITY STORES, INC. v. SAINT CLAIR ADAMS

Supreme Court of the United States, 2001
532 U.S. 105, 121 S.Ct. 1302; 149 L.Ed. 2d 234
<http://laws.findlaw.com/us/000/99-1379.html>

FACTS In October 1995, Saint Clair Adams applied for a job at Circuit City Stores, Inc. Adams signed an employment application, which included the following provision:

I agree that I will settle any and all previously unasserted claims, disputes or controversies arising out of or relating to my application or candidacy for employment, employment and/or cessation of employment with Circuit City, *exclusively* by final and binding arbitration before a neutral Arbitrator. By way of example only, such claims include claims under federal, state, and local statutory or common law, such as the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964, as amended, including the amendments of the Civil Rights Act of 1991, the Americans with Disabilities Act, the law of contract and the law of tort.

Adams was hired as a sales counselor in Circuit City's store in Santa Rosa, California. Two years later, Adams filed an employment discrimination lawsuit against Circuit City in state court, asserting claims under California's Fair Employment and Housing Act, and other claims based on general tort theories under California law. Circuit City filed suit in the United States District Court, seeking to enjoin the state-court action and to compel arbitration of respondent's claims pursuant to the Federal Arbitration Act (FAA). The District Court entered the requested order, concluding that Adams was obligated by the arbitration agreement to submit his claims against the employer to binding arbitration. Adams appealed.

While the appeal was pending in the Court of Appeals for the Ninth Circuit, that court ruled on the key issue in an unrelated case, holding that the FAA does not apply to contracts of employment and so was not subject to the FAA. Circuit City petitioned the United States Supreme Court, noting that the Ninth Circuit's conclusion that all employment contracts are excluded from the FAA conflicts with every other Court of Appeals to have addressed the question. The United States Supreme Court granted *certiorari* to resolve the issue.

DECISION The judgment of the Court of Appeals for the Ninth Circuit is reversed, and the case is remanded for further proceedings consistent with this opinion.

OPINION Congress enacted the FAA in 1925 as a response to hostility of American courts to the enforcement of arbitration agreements. The FAA compels judicial enforcement of a wide range of written arbitration agreements. The FAA's coverage provision, § 2, provides that

[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, or the refusal to perform the whole or any part thereof, or an agreement in writing to submit to arbitration an existing controversy arising out of such a contract, transaction, or refusal, shall be valid, irrevocable, and enforceable, save upon such grounds as exist at law or in equity for the revocation of any contract.

This case involves not the basic coverage authorization under § 2 of the Act, but the exemption from coverage under § 1. The exemption clause provides the Act shall not apply "to contracts of employment of seamen, railroad employees, or any other class of workers engaged in foreign or interstate commerce." Most Courts of Appeals have concluded that the exclusion provision is limited to transportation workers, defined, for instance, as those workers "actually engaged in the movement of goods in interstate commerce." The Court of Appeals for the Ninth Circuit relies on the asserted breadth of the words "contracts of employment of . . . any other class of workers engaged in . . . commerce" and thereby interprets the § 1 exception to exclude all contracts of employment from the reach of the FAA.

This reading of § 1, however, runs into an immediate and insurmountable textual obstacle. The words "any other class of workers engaged in . . . commerce" constitute a residual phrase, following, in the same sentence, explicit reference to "seamen" and "railroad employees." If the residual phrase is meant to exclude all employment contracts, there would be no need for Congress to use the specific phrases "seamen" and "railroad employees." The wording of § 1 calls for the application of the maxim *ejusdem generis*, the statutory canon that "where general words follow specific words in a statutory enumeration, the general words are construed to embrace only objects similar in nature to those objects enumerated by the preceding specific words."

Additionally, the fact that the provision is contained in a statute that "seeks broadly to overcome judicial hostility to arbitration agreements," gives no reason to abandon the precise reading of a provision that exempts contracts from the FAA's coverage. In sum, Section 1 exempts from the FAA only contracts of employment of transportation workers.

The Court noted that it was clear in rejecting the supposition that the advantages of the arbitration process somehow disappear when transferred to the employment context. 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. These litigation costs to parties (and the accompanying burden to the courts) would be compounded by the difficult choice-of-law questions that are often presented in disputes arising from the employment relationship.

INTERPRETATION Arbitration agreements in employment contracts are binding except for contracts of employment of transportation workers engaged in interstate commerce.

CRITICAL THINKING QUESTION What policy reasons support using arbitration over litigation as a means of dispute resolution?