

News Release

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For more information, contact:

Tim Kolly 312-698-6220 | tkolly@dri.org

Supreme Court Decision Aligns with DRI Amicus Brief in *DIRECTV, Inc. v. Imburgia*

High Court Holds California Court's Ruling Violated the Federal Arbitration Act

CHICAGO – (December 15, 2015) — The United States Supreme Court has issued an opinion in *DIRECTV, Inc. v. Imburgia* that aligns with the position that DRI – The Voice of the Defense Bar advanced in [the amicus brief it filed](#) in support of DIRECTV.

The purpose of the Federal Arbitration Act was to overcome the hostility of the courts to arbitration and to require them to enforce arbitration agreements in accordance with their terms. In this case, DIRECTV's customer agreement contained an arbitration clause that included a class arbitration waiver. That provision concluded with the sentence: "If, however, the law of your [i.e., the customer's] state would find this agreement to dispense with class arbitration procedures unenforceable, then this entire Section 9 [i.e., the entire arbitration clause] is unenforceable." Imburgia sought to bring a class action against DIRECTV in state court alleging that DIRECTV violated various state consumer protection laws by improperly charging early termination fees to its customers.

After the state trial court denied DIRECTV's motion to compel arbitration, the California Court of Appeal affirmed by applying state law that was, in fact, preempted by the FAA. The Court of Appeal reasoned that the arbitration clause's reference to "the law of your state" meant "the law of your state without considering the preemptive effect, if any, of the Federal Arbitration Act." In essence, the state was allowed to opt out of the Supremacy Clause of the Constitution.

DRI's amicus brief argued that the California Court of Appeal's opinion continued a long history of efforts, by both California and other state courts, to evade the preemptive effect of the FAA. State courts have persisted in inventing devices to avoid their obligation under the Supremacy Clause to enforce arbitration agreements according to their terms.

The U.S. Supreme Court held that the California appellate court's interpretation of DIRECTV's arbitration clause violated the FAA because—contrary to the California court's view—the phrase "law of your state" was unambiguous in meaning *valid* state law that was not preempted by the FAA, and because California courts would not apply similarly contorted interpretive methods to invalidate non-arbitration contracts. The Supreme Court highlighted several factors showing that the California court's refusal to enforce DIRECTV's arbitration clause was yet another manifestation of California's historical hostility to arbitration, which could not stand in the face of the preemptive force of the FAA.

Brief co-authors David M. Axelrad, Felix Shafir, and John F. Querio of Horvitz & Levy (Encino, California) are available for interview or expert comment through DRI's Communications Office.

For the full text of the Supreme Court's opinion, click [here](#).

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