
ADR - CALIFORNIA

People v. Maplebear Inc.

Court of Appeal, Fourth District, Division 1, California - July 28, 2022 - Cal.Rptr.3d - 2022 WL 2981169

City attorney brought an enforcement action under the Unfair Competition Law (UCL), on behalf of People, against operator of website and smart-phone application used to facilitate same-day, on-demand grocery shopping and delivery services, alleging that operator unlawfully misclassified its employees as independent contractors in order to deny them worker protections, harming its alleged employees and the public at large through a loss of significant payroll tax revenue, and giving operator unfair advantage against its competitors.

Operator moved to compel arbitration concerning city attorney's requests for injunctive relief and restitution. The Superior Court denied motion. Operator appealed.

The Court of Appeal held that city attorney was not bound by arbitration provisions of agreements between operator and its employees.

City, which brought action for restitution and injunctive relief under Unfair Competition Law (UCL) against operator of grocery-shopping and delivery smart-phone application, alleging that operator unlawfully misclassified its employees as independent contractors, was not bound by arbitration provisions of agreements between operator and its employees, where city was acting in its own law-enforcement capacity to seek civil penalties for labor violations traditionally prosecuted by state, city was indisputably not party to any arbitration agreement with operator, no individual employee had control over litigation and city did not need any individual employee's consent to bring action, and city's claims sought to vindicate public harms.

An action under the Unfair Competition Law (UCL) seeking injunctive relief and civil penalties filed by a public prosecutor on behalf of the People is not primarily concerned with restoring property or benefiting private parties; it is fundamentally a law-enforcement action with a public, penal objective.

Under the Broughton-Cruz rule, 988 P.2d 67, 66 P.3d 1157, agreements to arbitrate claims for public injunctive relief under the Consumers Legal Remedies Act (CLRA), the Unfair Competition Law, or the false advertising law are not enforceable in California; the central premise of the rule is that the judicial forum has significant institutional advantages over arbitration in administering a public injunctive remedy, which as a consequence will likely lead to the diminution or frustration of the public benefit if the remedy is entrusted to arbitrators.

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