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Courts Must Evaluate Enforceability of Arbitration Agreements Individually

California Employment Law Update on **April 13, 2026**

The Ninth Circuit delivered a significant win for employers involved in arbitration in *O'Dell, et al. v. Aya Healthcare Services, Inc.*, holding that employees cannot sidestep arbitration agreements by selectively relying upon past rulings of other arbitrators in cases involving other parties to invalidate a particular arbitration agreement.

The case arose from unpaid wage claims brought by former employees of Aya Healthcare, a travel nursing company. The district court initially compelled four cases to individual arbitrations without ruling on the enforceability of the agreement because the agreement contained a delegation clause which provided that an arbitrator would decide the validity of the agreement. The results in arbitration were split: two arbitrators upheld the arbitration agreements, while two struck them down.

When Aya later sought to enforce the same arbitration agreement against different employees, the district court disregarded the valid delegation clause in the agreement and issued its own ruling on the enforceability of the arbitration agreement for the additional employees. In doing so, the district court relied exclusively on the unfavorable arbitration rulings—giving them preclusive effect while refusing to enforce the agreement for over 250 other former employees.

The Ninth Circuit reversed.

The court emphasized that the district court's approach clashed with the Federal Arbitration Act (FAA), which strongly favors enforcing arbitration agreements. Nothing in the FAA allows courts to invalidate such agreements based on how individual arbitrators rule in separate proceedings involving different parties. By treating a handful of arbitration decisions as binding on hundreds of other parties and claims, the district court effectively transformed individual arbitration into a de facto class action, without the parties' consent. That approach, the Ninth Circuit made clear, is fundamentally incompatible with the FAA because it suggests "the sort of 'judicial hostility to arbitration' that the FAA was enacted to prevent."

The decision reinforces a core principle: arbitration agreements must be evaluated individually and may not be collectively invalidated based upon prior inconsistent rulings.

We will continue to monitor developments in this area.

Related Professionals

- **Anthony J. Oncidi**
  Partner
- **Gregory W. Knopp**
  Partner
- **Philippe A. Lebel**
  Partner
- **Jennifer J. McDermott**
  Associate