

UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF
CALIFORNIA

Saul v. Lineage Logistics Services LLC

Saul · No. 2:24-cv-01331-DJC-CSK · Decided February 27, 2025

SUMMARY

The United States District Court for the Eastern District of California considers Defendants’ motion to compel arbitration in Felicia Saul’s employment-related wage and labor-law action. The court finds that two valid arbitration agreements encompass the disputed claims, but holds that Saul is a transportation worker exempt from arbitration under the Federal Arbitration Act. Applying California law, the court permits two wage-related causes of action to proceed, upholds the class-action waiver, and stays the remaining claims pending arbitration.

CASE DETAILS

COURT	United States District Court for the Eastern District of California
WRITING FOR THE COURT	Daniel J. Calabretta
JURISDICTION	United States District Court for the Eastern District of California
DECIDED	February 27, 2025
DOCKET	2:24-cv-01331-DJC-CSK
DISPOSITION	other
PROCEDURAL POSTURE	Defendants moved to compel arbitration under the Federal Arbitration Act and California arbitration law in a putative wage-and-hour class action. The court granted the motion in part, denied it in part, dismissed the class claims that were not subject to arbitration, and stayed those individual claims pending arbitration.
STANDARD OF REVIEW	A motion to compel arbitration is evaluated under a standard similar to summary judgment. The party seeking arbitration bears the burden of proving by a preponderance of the evidence that an arbitration agreement exists and encompasses the dispute; the opposing party receives the benefit of reasonable doubts and reasonable inferences, and arbitration may be compelled only when no genuine dispute of material fact concerns the agreement's existence or applicability.
PRECEDENTIAL VALUE	unpublished

PARTIES

Lineage Logistics Services LLC, Perishable Shipping Solutions LLC
v. Felicia Saul

TOPICS

employment arbitration

wage and hour

class actions

contracts

civil procedure

PRACTICE AREAS

employment law

arbitration

wage and hour

civil procedure

contracts

QUESTIONS PRESENTED

1. Whether defendants proved the existence of valid arbitration agreements encompassing Saul's claims.
2. Whether Saul qualified as a transportation worker exempt from FAA enforcement under 9 U.S.C. § 1.
3. Whether California arbitration law required arbitration of the claims not exempted by California Labor Code section 229.
4. Whether the arbitration agreements' class-action waiver was enforceable under the applicable California law.

HOLDINGS

1. Defendants proved by a preponderance of the evidence that two valid arbitration agreements existed and encompassed Saul's employment-related claims. The absence of a defendant signature on the Mutual Arbitration Agreement was not dispositive because the agreement and the parties' conduct demonstrated mutual intent to be bound.
2. Saul was a transportation worker exempt from the FAA under 9 U.S.C. § 1 because her warehouse duties played a tangible and meaningful role in preparing goods for movement through interstate commerce.
3. Because the FAA did not apply, the parties' agreements required arbitration under California law of causes of action two, three, four, five, seven, and eight, but Labor Code section 229 exempted causes of action one and six from mandatory arbitration.
4. The class-action waiver was enforceable as to the claims not subject to arbitration, and Saul could pursue causes of action one and six only on an individual basis.
5. The individual claims exempt from arbitration were stayed pending resolution of the claims ordered to arbitration.

KEY QUOTATIONS

“The party opposing arbitration receives the benefit of any reasonable doubts and the court draws reasonable inferences in that party's favor, and only when no genuine disputes of material fact surround the arbitration agreement's existence and applicability may the court compel arbitration.” (at 2)

“Although Defendant provides “food transportation in multiple states throughout the United States,” (Murphy Decl. ¶ 2) it is the specific nature of Plaintiff's work, rather than the employers', that is the basis for

any qualification as a transportation worker.” (at 9)

“The role of preparing boxes for egress from the facility or organizing them for storage before they are ready to be shipped is necessary to the subsequent transit of those goods out of the facility.” (at 12)

“The fact that a remedy may constitute wages for purposes of Naranjo is simply irrelevant in determining whether the action is brought to enforce the provisions of Article I of the Labor Code.” (at 16)

FACTUAL BACKGROUND

Felicia Saul worked at defendants' Sacramento warehouse during two periods between December 2021 and September 2023. Her duties included assembling and organizing boxes, inserting insulation, affixing labels, and sorting boxes for storage or shipment; the warehouse routinely sent goods to destinations outside California. Saul alleged off-the-clock work, meal and rest-break violations, unreimbursed expenses, inaccurate wage statements, unpaid termination wages, quota-law violations, and related Unfair Competition Law violations. She signed an Employee Agreement to Arbitrate and later a Mutual Arbitration Agreement containing a class-action waiver.

PROCEDURAL HISTORY

Saul filed a First Amended Complaint alleging California wage-and-hour and related statutory violations on behalf of herself and a proposed class. Defendants moved to compel arbitration; the motion was fully briefed and heard on October 17, 2024. The court ordered arbitration of six causes of action, permitted the first and sixth causes of action to proceed individually, dismissed the class claims as to those causes of action, and stayed the surviving individual claims pending arbitration.

DISPOSITION

other

CASES CITED

- Boardman v. Pac. Seafood Grp., 822 F.3d 1011, 1017 (9th Cir. 2016)
- AT&T Mobility LLC v. Concepcion, AT&T Mobility LLC v. Concepcion, 563 U.S. 333, 343, 351 (2011)
- Shearson/Am. Exp., Inc. v. McMahon, 482 U.S. 220, 226 (1987)
- Concat LP v. Unilever, PLC, 350 F. Supp. 2d 796, 804 (N.D. Cal. 2004)
- Cox v. Ocean View Hotel Corp., 533 F.3d 1114, 1119 (9th Cir. 2008)
- Greystone Nevada, LLC v. Anthem Highlands Cmty. Ass'n, 549 F. App'x 621, 623 (9th Cir. 2013)
- Three Valleys Mun. Water Dist. v. E.F. Hutton & Co., Inc., 925 F.2d 1136, 1141 (9th Cir. 1991)
- Dean Witter Reynolds, Inc. v. Byrd, 470 U.S. 213, 218, 221 (1985)
- Hansen v. LMB Mortg. Servs., Inc., 1 F.4th 667, 670 (9th Cir. 2021)
- First Options of Chi., Inc. v. Kaplan, 514 U.S. 938, 944 (1995)
- Alexander v. Codemasters Grp. Ltd., 104 Cal. App. 4th 129, 141 (2002)
- Reid v. Google, Inc., 50 Cal. 4th 512, 524 (2010)

- People v. Superior Ct. (Clark), 22 Cal. App. 4th 1541, 1548 (1994)
- Ortiz v. Nellson Nutraceutical, LLC, 2023 Cal. App. Unpub. WL 5425282 (Aug. 23, 2023)
- Sw. Airlines Co. v. Saxon, 596 U.S. 450, 453-58 (2022)
- Circuit City Stores, Inc. v. Adams, 532 U.S. 105, 115 (2001)
- Ortiz v. Randstad Inhouse Servs., LLC, 95 F.4th 1152, 1158, 1160-62 (9th Cir. 2024)
- Ericksen, Arbuthnot, McCarthy, Kearney & Walsh, Inc. v. 100 Oak St., 35 Cal. 3d 312, 322 (1983)
- Gentry v. Superior Court, 42 Cal. 4th 443, 458, 463-64, 466 (2007)
- Naranjo v. Spectrum Sec. Servs., Inc., 13 Cal. 5th 93, 102-03, 105, 107, 111, 117 (2022)
- Kirby v. Immoos Fire Prot., Inc., 53 Cal. 4th 1244, 1255 (2012)
- Morales v. U.S. Dist. Ct. for Cent. Dist. of Cal., L.A., No. 24-536, 2024 WL 3565262, at *3 (9th Cir. July 29, 2024)
- Muller v. Roy Miller Freight Lines, LLC, 34 Cal. App. 5th 1056, 1070 (2019)

OPINION

Saul v. Lineage Logistics Services LLC

PER CURIAM.

1 2 3 4 5 6 7

8 UNITED STATES DISTRICT COURT

9 EASTERN DISTRICT OF CALIFORNIA

10 11 FELICIA SAUL, an individual on behalf No. 2:24-cv-01331-DJC-CSK of herself and all
others similarly 12 situated, 13 Plaintiff, ORDER 14 v. 15 LINEAGE LOGISTICS SERVICES
LLC;

PERISHABLE SHIPPING SOLUTIONS

16 LLC, and DOES 1 through 25, Inclusive, 17 Defendants. 18 19 20 Pending before the Court is
Defendants' Motion to Compel Arbitration. (ECF

21 No. 11, hereinafter "Mot."; see First Amended Complaint (ECF No. 4, hereinafter
22 "FAC").) The Court held a hearing on October 17, 2024, and took the matter under 23
submission. For the reasons set forth below, the Court will GRANT in part and DENY 24 in part
Defendant's Motion to Compel Arbitration. The Court will stay the surviving 25 claims pending
the resolution of the arbitrated claims.

26 BACKGROUND

27 Plaintiff Felicia Saul was employed full-time by Defendants Lineage Logistics 28 Services
LLC ("Lineage") and Perishable Shipping Solutions LLC ("Perishable") from
1 December 2021 through September 2022, and again from May 2023 through
2 September 2023. (FAC ¶ 3; ECF No. 11, Declaration of Joana Murphy, hereinafter
3 "Murphy Decl." ¶ 7.) Lineage acquired Perishable in 2021, and Perishable is now a 4 subsidiary
of Lineage. (ECF No. 17, Declaration of Brian Golper, hereinafter "Golper 5 Decl." ¶ 3.)
Defendant provides frozen food storage, packaging of client frozen goods 6 for delivery, and food

transportation. (Murphy Decl. ¶ 2.) Defendant operates 7 distribution center warehouses throughout the country, including one in Sacramento, 8 California. (Id.; FAC ¶¶ 2, 21, 24). 9 Plaintiff was employed at the Sacramento facility, and her work duties included 10 assembling boxes used to store and ship products from the warehouse, inserting 11 insulating linings, affixing shipping labels, and sorting boxes for storage or shipment.1 12 (FAC ¶ 4; Mot. at 2.) Plaintiff alleges that Defendant failed to pay regular wages by 13 requiring off-the-clock work, provide legally mandated meal and rest breaks, 14 reimburse expenses, provide accurate wage statements, and to pay wages due upon 15 workers' termination. (FAC ¶¶ 67–109.) Plaintiff further alleges that these charges are 16 in violation of California quota laws and the Unfair Competition Law. (Id. ¶¶ 110–128.) 17 Plaintiff brings this action for herself and on behalf of a proposed class of similarly 18 situated parties. 19 Plaintiff and Defendant allegedly entered into an Employee Agreement to 20 Arbitrate and later a Mutual Arbitration Agreement (the “Arbitration Agreements” or 21 “Agreements”), under which Plaintiff agreed to arbitrate all claims arising under the 22 23 1 Defendant maintains that these were Plaintiff's sole work duties and that she did not physically move any boxes once goods had been placed within them. (Mot. at 8.) Plaintiff asserts that her work duties 24 also included loading and wrapping pallets (FAC ¶ 4), transporting packages internally within the warehouse (ECF No. 16, Declaration of Felicia Saul at ¶¶ 5, 7, 8), and packing boxes with products (Id. ¶ 25 9). Defendant challenges both the admission and the veracity of Plaintiff's statements. (See ECF No. 17, Objections to Plaintiff's Evidence.) At this juncture, the Court need not reach the question of which 26 description of Plaintiff's work duties is accurate because, as discussed below, Plaintiff succeeds in her Federal Arbitration Act exemption argument even if the more limited work responsibilities alleged by 27 Defendant are true. However, at oral argument for this Motion's hearing, Defendant agreed that the Court may view the disputed facts in the light most favorable to Plaintiff. 28 1 Labor Code and waived any right to bring a class action claim. Defendant moves to 2 compel arbitration under the Federal Arbitration Act (“FAA”) and California state 3 arbitration laws. (See generally, Mot.) Plaintiff asserts that she was an employee 4 engaged in interstate commerce and is thus exempt from binding arbitration 5 agreements under the FAA. Plaintiff also claims that her claims are exempt from 6 California arbitration laws. 7 Plaintiff filed her First Amended Complaint (ECF No. 4) on June 11, 2024, and 8 Defendant filed a Motion to Compel Arbitration (ECF No. 11) on August 16, 2024. 9 Plaintiff then filed an Opposition (ECF No. 16) on August 30, 2024. Defendant filed a 10 Reply (ECF No. 17) on September 9, 2024, and Plaintiff filed an Objection (ECF No. 11 18) on September 16, 2024. Plaintiff filed a sur-reply (ECF No. 22) on October 16, 12 2024. The issue has been fully briefed. 13 I. Legal Standard 14 The FAA governs arbitration agreements. 9 U.S.C. § 2. Under the FAA, a 15 signatory to an arbitration agreement may obtain an order directing a noncomplying 16 party to arbitrate in the manner provided for in the agreement. 9 U.S.C. § 4. In 17 weighing a motion to compel arbitration, a court must determine: (1) whether a valid 18 agreement to arbitrate exists and, if it does, (2) whether the agreement encompasses 19 the dispute at issue. Boardman v.

Pac. Seafood Grp., 822 F.3d 1011, 1017 (9th Cir. 2016) (“Boardman”). “Arbitration is a matter of contract, and the FAA requires courts to honor parties’ expectations.” *AT&T Mobility LLC v. Concepcion*, 563 U.S. 333, 351 (2011) (“Concepcion”). But, the FAA’s mandate of arbitration contract enforcement can be “overridden by a contrary congressional command.” *Shearson/Am. Exp., Inc. v. McMahon*, 482 U.S. 220, 226 (1987) (“Shearson”). “When considering a motion to compel arbitration, a court applies a standard similar to the summary judgment standard” of Federal Rule of Civil Procedure 56. *Concat LP v. Unilever, PLC*, 350 F. Supp. 2d 796, 804 (N.D. Cal. 2004) (citations omitted) (“Concat”); see also *Cox v. Ocean View Hotel Corp.*, 533 F.3d 1114, 1119 (9th

1 Cir. 2008) (“[D]enial of a motion to compel arbitration has the same effect as a grant of 2 partial summary judgment denying arbitration”); *Greystone Nevada, LLC v. Anthem Highlands Cmty. Ass’n*, 549 F. App’x 621, 623 (9th Cir. 2013) (reversing an 4 order compelling arbitration where opposing party had been afforded no opportunity 5 to present evidence and argument). The party opposing arbitration receives the 6 benefit of any reasonable doubts and the court draws reasonable inferences in that 7 party’s favor, and only when no genuine disputes of material fact surround the 8 arbitration agreement’s existence and applicability may the court compel arbitration. 9 *Concat*, 350 F. Supp. 2d at 804; see *Three Valleys Mun. Water Dist. v. E.F. Hutton & 10 Co., Inc.*, 925 F.2d 1136, 1141 (9th Cir. 1991). Nevertheless, the decision to compel 11 arbitration is mandatory, not discretionary, if the requirements are met. *Dean Witter 12 Reynolds, Inc. v. Byrd*, 470 U.S. 213, 218 (1985) (“Dean”). The FAA preempts state 13 laws that conflict with the purpose of the FAA by applying stricter requirements to 14 arbitration agreements than contracts generally. See *Concepcion*, 563 U.S. at 343. 15 II. Discussion 16 For the reasons set forth below, the Court finds that the evidence submitted by 17 Defendant sufficiently proves the existence of two separate arbitration agreements, 18 both signed by Plaintiff, that encompass the disputed issues. However, the Court 19 finds that Plaintiff, due to her specific work duties, is covered by the FAA’s 20 transportation worker exemption, and thus, the FAA cannot be used to mandate 21 compliance with the agreements. The Court further finds that two causes of action are 22 not covered by the arbitration agreements under California law. Accordingly, the 23 Court will not compel Plaintiff to arbitrate those specific claims against Defendant. 24 Further, the Court finds that the class action waiver is valid, and thus, the remaining 25 claims must proceed on an individual basis, pending the resolution of the arbitrated 26 claims. 27 //// 28 //// 1 1. Existence of valid arbitration agreements that encompass the disputed 2 issues 3 As an initial step, the Court must determine: (1) whether a valid agreement to 4 arbitrate exists and, if it does, (2) whether the agreement encompasses the dispute at 5 issue. *Boardman*, 822 F.3d at 1017. The party seeking to compel arbitration bears the 6 burden of proving by a preponderance of the evidence the existence of an agreement 7 to arbitrate. *Knutson v. Sirius XM Radio Inc.*, 771 F.3d 559, 565 (9th Cir. 2014). In 8 resolving a motion to compel arbitration, “[t]he summary judgment standard [of 9 Federal Rule of Civil Procedure 56] is appropriate because the district

court's order 10 compelling arbitration 'is in effect a summary disposition of the issue of whether or not 11 there had been a meeting of the minds on the agreement to arbitrate.'" Hansen v. 12 LMB Mortg. Servs., Inc., 1 F. 4th 667, 670 (9th Cir. 2021) (internal quotations omitted). 13 "When deciding whether the parties agreed to arbitrate a certain matter . . . , courts 14 generally . . . should apply ordinary state-law principles that govern the formation of 15 contracts." First Options of Chi., Inc. v. Kaplan, 514 U.S. 938, 944 (1995). "Mutual 16 assent is determined under an objective standard applied to the outward 17 manifestations or expressions of the parties, i.e., the reasonable meaning of their 18 words and acts, and not their unexpressed intentions or understandings." Alexander 19 v. Codemasters Grp. Ltd., 104 Cal. App. 4th 129, 141 (2002), disapproved of on other 20 grounds by Reid v. Google, Inc., 50 Cal. 4th 512, 524 (2010). 21 Defendant alleges that Plaintiff electronically signed two separate arbitration 22 agreements, an "Employee Agreement to Arbitrate," which was signed on March 14, 23 2022, and a "Mutual Arbitration Agreement," which was signed on May 19, 2023. 24 (Mot. at 1.) As proof of this, Defendant offers a declaration of Joanna Murphy, who is 25 the Director of Human Resources Service for Lineage and has "personal knowledge 26 about how onboarding has generally been conducted [at Lineage] from 2012 to the 27 present." (Murphy Decl. ¶ 4.) In her declaration, Murphy states that "[a]t the time of 28 hire, employees are provided with copies of Lineage's various policies." (Id. ¶ 5.) 1 According to Murphy, new employees "can take as much time as desired to review 2 any of the documents before" signing them and that they may ask human resources 3 personnel any questions related to those documents. (Id. ¶ 6.) 4 Murphy claims that she has "personally reviewed documents concerning 5 Plaintiff that are maintained in the normal course of business" and that based on that 6 review, Murphy asserts that Plaintiff "was provided with an onboarding package" and 7 that "Plaintiff signed the Employee Agreement to Arbitrate" and the Mutual Arbitration 8 Agreement. (Id. ¶¶ 7–10.) Attached to Murphy's declaration is a copy of the 9 Employee Agreement to Arbitrate and a copy of the Mutual Arbitration Agreement. 10 (Id. ¶¶ 9, 12, Ex. A and C.) The declaration also includes an electronic signature from 11 Plaintiff Saul acknowledging her agreement to the Employee Agreement to Arbitrate, 12 and an electronic signature from Plaintiff Saul acknowledging her agreement to the 13 Mutual Arbitration Agreement. (Id. ¶¶ 20, Ex. D and E.) 14 Here, no reasonable inference can be drawn in Plaintiff's favor that the 15 arbitration agreements were not formed. She provides no evidence that the 16 Agreements do not exist, nor does she contest that she signed them. Further, Plaintiff 17 does not contest the validity of the Employee Agreement to Arbitrate, the first 18 agreement signed by the parties. Her primary claim against the validity of the 19 Arbitration Agreements is that the second agreement, the Mutual Arbitration 20 Agreement, is not binding because it was allegedly signed only by Plaintiff, rather than 21 by Plaintiff and Defendant (Opp'n. at 8–9). The lack of dual signatures on the Mutual 22 Arbitration Agreement is not dispositive when it is otherwise clear the parties 23 intended to be bound by the agreement. See Borelli v. Black Diamond Aggregates, 24 Inc., 2017 WL 1063564, *6 (E.D. Cal. 2017) ("Although an arbitration agreement must 25 generally be

memorialized in writing, the writing memorializing an arbitration agreement need not be signed by both parties in order to be upheld as binding.”) 27 (citations omitted); see also *Serafin v. Balco Properties Ltd., LLC*, 235 Cal. App. 4th 165, 176 (2015) (“[T]he writing memorializing an arbitration agreement need not be signed by both parties in order to be upheld as a binding arbitration agreement.”) 2 As to the other Employee Agreement to Arbitrate, Plaintiff alleges, without citation to case law, that Agreement was executed with Lineage, and not Perishable, it is not valid. (Opp’n at 9.) However, at the time of Saul’s hiring by Lineage, Lineage had already been acquired by Perishable and was its subsidiary. (See Golper Decl. ¶ 3.) 6 Regardless, there is ample evidence here that both parties did not need to sign the Mutual Arbitration Agreement for them to intend it to be binding. For example, the text of the agreement does not require that a signature from either party be necessary for the agreement to take effect. The agreement states: “Your decision to accept employment or to continue employment with the Company constitutes your agreement to be bound by the [Mutual Arbitration Agreement]. Likewise, the Company agrees to be bound by the [Mutual Arbitration Agreement].” (Murphy Decl. Ex. B.) The agreement never contemplated a signature for it to be valid—the mere act of accepting employment on the part of the Plaintiff, and of continuing Plaintiff’s employment on the part of the Defendant, was sufficient to establish intent of a valid agreement requiring arbitration under the agreement’s text. In any event, the Plaintiff does not meaningfully dispute the validity of the Employee Agreement to Arbitrate, which was signed by both Plaintiff and Defendant. 19 Plaintiff does not challenge that the Agreements, if they are valid, encompass the types of claims brought here. Nor can she. The text of the Agreements explicitly mentions the claims brought in this case—employment claims related to wages, overtime, breaks, reimbursement, and violations of state law. (See Murphy Decl. Ex. A 23 24 2 Plaintiff relies on an unpublished California Court of Appeal case, *Ortiz v. Nellson Nutraceutical, LLC*, 2023 Cal. App. Unpub. WL 5425282 (August 23, 2023) to bolster her claim that the Mutual Arbitration Agreement is not valid because Defendant did not sign the agreement. As an unpublished case, this decision is not precedential. See *People v. Superior Ct. (Clark)*, 22 Cal. App. 4th 1541, 1548 (1994) (an unpublished opinion cannot be relied on by a party); Cal. R. Ct. 8.1115. This unpublished case does not supersede the existing, published, caselaw supporting the conclusion that a valid arbitration agreement may exist when there is evidence that the parties intended to be bound by an agreement. See *Borelli*, 2017 WL 1063564 (E.D. Cal. 2017); see also *Serafin*, 235 Cal. App. 4th 165 (2015). 28 1 (“I agree that the [Employee Agreement to Arbitrate] covers any claim, dispute, and/or controversy that either I . . . may have against the Company . . . or that the Company may have against me, arising from, related to, or having any relationship or connection whatsoever with my seeking employment with, employment by, or other association with the Company.”); *Id.* Ex. C (“Claims subject to [the Mutual Arbitration Agreement] include all claims involving your employment with the Company, including during the application and background check process, during employment, at separation(i.e., after the employment relationship ends)

[sic]. This includes without 9 limitation any and all claims for discrimination, harassment, or retaliation; wages, 10 overtime, breaks, reimbursement, or any other compensation; breach of any express 11 or implied contract; negligence or other tort; or violation of any federal, state, or local 12 law.”.) The only conclusion that can be drawn from the text of the Agreements is that 13 the parties intended the Agreements to cover the types of claims raised in the present 14 action. 15 The Court concludes that Defendants have met their burden of showing by a 16 preponderance of evidence that two valid arbitration agreements exist (the Employee 17 Agreement to Arbitrate and Mutual Arbitration Agreement), that the parties agreed to 18 the arbitration agreements, and that these agreements encompass the disputed 19 issues. 20 2. The Federal Arbitration Act generally requires courts to enforce 21 arbitration agreements 22 The FAA establishes a strong federal policy favoring arbitration, requiring 23 courts to “rigorously enforce agreements to arbitrate.” Shearson, 482 U.S. at 226, 24 quoting Dean, 470 U.S. at 221. Under the FAA, arbitration agreements shall generally 25 be “valid, irrevocable, and enforceable.” 9 U.S.C. § 2. Court shall “enforce covered 26 arbitration agreements according to their terms,” and any “ambiguities about the 27 scope of an arbitration agreement must be resolved in favor of arbitration.” Lamps 28 Plus v. Varela, 587 U.S. 176, 178, 189 (2019). 1 The terms of both arbitration agreements signed by Plaintiff explicitly specify 2 the signatories’ intent that those agreements be governed by the FAA. (See Murphy 3 Decl. Ex. A (“I also understand that the arbitration will be governed by the Federal 4 Arbitration Act”); see also Murphy Decl. Ex. C. (“This Agreement is governed by the 5 Federal Arbitration Act, 9 U.S.C. § 1 et seq”).) Given the agreements’ express 6 identification of the FAA as the governing statute and the general principle that the 7 FAA governs arbitration agreements, the Court concludes that there is a presumption 8 that the arbitration agreements are enforceable under the FAA absent an explicit 9 statutory exception indicating otherwise. 10 3. Exemption to the Federal Arbitration Act for workers engaged in 11 interstate commerce 12 Although there is a strong presumption in favor of enforcing arbitration 13 agreements, “the Arbitration Act’s mandate may be overridden by a contrary 14 congressional command.” Shearson, 482 U.S. at 226. One such contrary 15 congressional command is section 1 of the FAA, under which a court shall exempt 16 “contracts of employment of seamen, railroad employees, or any other class of 17 workers engaged in foreign or interstate commerce” from the binding nature of 18 arbitration agreements. See 9 U.S.C. § 1. There are two key cases that provide 19 context of the definition of an employee engaged in interstate commerce within the 20 meaning of the FAA. 21 First is Sw. Airlines Co. v. Saxon, 596 U.S. 450 (2022) (“Saxon”), which laid out a 22 two-step process for analyzing exemption claims under 9 U.S.C. § 1, which it referred 23 to as a “transportation worker exemption.” There, the Supreme Court instructed 24 courts to: (1) determine the relevant class of workers to which the plaintiff belongs, 25 and (2) determine whether that class is engaged in foreign or interstate commerce. 26 Saxon, 596 U.S. at 455. Saxon involved an employee of Southwest Airlines whose 27 work responsibilities required her to load and unload baggage, airmail, and 28 commercial cargo on and off airplane that traveled across the country. Id. at 453–

54. 1 The plaintiff sued Southwest for failure to pay overtime wages and sought to resist 2 arbitrating her claim with Southwest by claiming the transportation worker exemption.

3 Id. at 454.

4 The Supreme Court began by confronting the threshold question of how to 5 define a “class of workers.” Id. at 455. To answer this question, it focused on the 6 specific work duties of the plaintiff, rather than the general industry she worked in or 7 the title of her position. Id. at 456–57. The high court reasoned that even though the 8 plaintiff was employed within the airline industry, which undoubtedly would include 9 transportation workers, she still needed to show that her specific duties qualified her 10 as a transportation worker. Id. at 456. Looking solely at the plaintiff’s work duties, the 11 Supreme Court determined that she belonged to a class of worker who “physically 12 load and unload cargo on and off planes.” Id. 13 Next, the Supreme Court weighed whether that class was engaged in foreign 14 or interstate commerce under 9 U.S.C. § 1. Id. The Supreme Court reasoned that 15 because the plaintiff handled cargo that was travelling in interstate commerce, she 16 herself was, as “a practical matter, part of the interstate transportation of goods.” Id. at 17 457–58. In other words, a worker that “play[s] a direct ‘and necessary role in the free 18 flow of goods across borders,’ or is” actively ‘engaged in transportation’ of those 19 goods across borders via the channels of foreign or interstate commerce” can be a 20 “transportation worker” under 9 U.S.C. § 1. Id. at 458, quoting *Circuit City Stores, Inc. v. Adams*, 532 U.S. 105, 115 (2001). Because the plaintiff’s loading and unloading of 22 the cargo planes was sufficiently linked to the transportation of goods in interstate 23 commerce, the plaintiff qualified under the transportation worker exemption. 24 The second case is *Ortiz v. Randstad Inhouse Servs., LLC*, 95 F.4th 1152 (9th Cir. 25 2024), in which the Ninth Circuit held that warehouse workers who received and 26 processed goods from international locations that were then shipped to destinations 27 in various U.S. states were similarly covered under the transportation worker 28 exemption in 9 U.S.C. § 1. The plaintiff in *Ortiz* was tasked with moving boxes inside 1 of and preparing packages to be shipped out of a specific warehouse. Id. at 1158. 2 When the plaintiff sued the warehouse operator, the operator moved to compel 3 arbitration, citing an arbitration agreement signed by the parties. Id. The Ninth 4 Circuit first addressed the issue as to which class the plaintiff belonged, defining that 5 class as one consisting of workers handling goods as they progressed through the 6 supply chain. Id. at 1161. Noting that the plaintiff was responsible for the movement 7 of packages within the facility that were tied to interstate commerce, the Ninth Circuit 8 then reasoned that the plaintiff’s work was sufficiently tied to those items’ travel, and 9 thus, the plaintiff was a transportation worker. Id. at 1161–62. Even though the 10 plaintiff’s work was localized to a single facility, the products that moved through the 11 warehouse were destined for myriad locations, including out of state destinations, and 12 thus the local nature of the employee’s work was not controlling. Id. at 1162 (“If *Saxon* 13 stands for anything, it is that an employee is not categorically excluded from the 14 transportation worker exemption simply because he performs his duties on a purely 15 local basis.”) Because the

plaintiff was a worker who was sufficiently implicated in the 16 chain of interstate commerce, he was exempt from federal enforcement of the 17 arbitration clause under 9 U.S.C. § 1.

18 For 9 U.S.C. § 1's exemption to apply, the Plaintiff in the present matter must

19 show that he is sufficiently linked to the movement of goods in interstate commerce as 20 the plaintiffs in *Saxon* and *Ortiz*. 21 4. Plaintiff's supply chain job plays a tangible and meaningful role in the 22 movement of goods through interstate commerce 23 Because Plaintiff seeks relief under the transportation worker exemption in 9 24 U.S.C. § 1, the Court must first identify the class of workers to which Plaintiff belongs. 25 Although Defendant provides "food transportation in multiple states throughout the 26 United States," (Murphy Decl. ¶ 2) it is the specific nature of Plaintiff's work, rather than 27 the employers', that is the basis for any qualification as a transportation worker. At a 28 minimum, Plaintiff and Defendant agree that Plaintiff's work duties included 1 organizing boxes so that they could be sent to storage or picked up by a third-party 2 delivery company.³ Under this framing, Plaintiff's class would be that of a worker who 3 is tasked with organizing boxes as they are prepared for storage within the warehouse 4 facility or for shipment outside the warehouse to various locations. 5 This meets the requirements of *Ortiz*: whether "an employee's relationship to 6 the movement of goods [is] sufficiently close enough to conclude that his work plays a 7 tangible and meaningful role in their progress through the channels of interstate 8 commerce." *Ortiz*, 95 F. 4th at 1160. Here, Plaintiff's responsibilities are meaningfully 9 tied to the movement of goods into interstate commerce. The role of preparing 10 boxes for egress from the facility or organizing them for storage before they are ready 11 to be shipped is necessary to the subsequent transit of those goods out of the facility. 12 In other words, those goods cannot be transported without the workers like Plaintiff 13 who organize them for shipment. 14 Turning to the question of how those goods enter the channels of interstate 15 commerce, the Court finds that Defendant's Sacramento warehouse is sufficiently tied 16 to the travel of goods through channels of interstate commerce. Plaintiff asserts that 17 when she packaged boxes in the Sacramento facility, she witnessed a large number of 18 the packages were marked for travel to destinations outside of California. (ECF No. 19 16, Declaration of Felicia Saul ¶¶ 9, 11.) In response, Defendant argues that the 20 shipment of goods from the Sacramento facility were primarily destined for locations 21 in California, but does not contest that the facility still regularly sent goods to out-of- 22 state destinations. (See ECF No. 11, Declaration of Luis Vargas ¶ 10.) But again, the 23 parties' disagreement does not matter—even if a majority of the goods shipped from 24 Defendant's Sacramento facility were to be destined for intrastate rather than 25 interstate commerce as Defendant claims, the facility is routinely sending shipments to 26 27 3 As noted in footnote 1, there is a factual dispute as to Plaintiff's work duties. (Compare FAC ¶ 4 with ECF No. 11, Declaration of Luis Vargas ¶ 5–8.) The Court need not resolve this dispute, as even the 28 narrower scope of duties is sufficient to bring Plaintiff within the ambit of 9 U.S.C. § 1. 1 out-of-state locations and is thus tied to the flow of goods out of California under 2 either party's framing. (See *id.*) 3 Thus, the Court finds that Plaintiff is a member of a class that is linked

to the 4 travel of goods through interstate commerce and thus, that she qualifies under the 5 transportation worker exemption. 6 5. In the absence of the Federal Arbitration Act, the California Arbitration 7 Act governs 8 The text of the Arbitration Agreements agreed to by the parties in this litigation 9 expressly provides that California state law controls if the FAA is found not to apply. 10 (Murphy Decl. Ex. B (“If for any reason the FAA is deemed inapplicable, only then will 11 the [Employee Agreement to Arbitrate] be governed by the applicable State 12 arbitration statutes.”); id. Ex. C (“[I]f the FAA is found not to apply [to the Mutual 13 Arbitration Agreement], then the arbitration law of the state in which Employee is 14 employed or was last employed by the Company will apply.”).) Finding that the FAA 15 does not apply, the Court next turns to whether California state laws require Plaintiff to 16 arbitrate her claims. The Court finds that California law permits two of Plaintiff’s 17 causes of action to proceed. 18 California has a “strong public policy in favor of arbitration as a speedy and 19 relatively inexpensive means of dispute resolution.” Ericksen, Arbutnot, McCarthy, 20 Kearney & Walsh, Inc. v. 100 Oak St., 35 Cal. 3d 312, 322 (1983). Like the FAA, the 21 Court must enforce the arbitration clause under state law unless a specific exemption 22 applies. Plaintiff raises two such exemptions here. First, Plaintiff points to California 23 Labor Code section 229, under which “[a]ctions to enforce the provisions of this article 24 [sections 200 to 244] for the collection of due and unpaid wages claimed by an 25 individual may be maintained without regard to the existence of any private 26 agreement to arbitrate.” Second, Plaintiff relies on Gentry v. Superior Court, 42 Cal. 27 4th 443 (2007), abrogated on other grounds by Concepcion, 563 U.S. 333, for the 28 proposition that the class action waiver in her arbitration agreement is unenforceable. 1 Plaintiff raises a number of claims related to her employment with Defendants 2 that potentially come within the ambit of Labor Code section 229. Those claims are 3 for the alleged violation of: (1) Labor Code sections 200, 204, and 1194 (failure to pay 4 wages for off-the-clock work), (2) Labor Code sections 226.7 and 512 (failure to 5 provide meal breaks or compensation in lieu thereof), (3) Labor Code sections 226.7 6 (failure to authorize and permit rest breaks or compensation in lieu thereof), (4) Labor 7 Code section 2802 (failure to reimburse expenses), (5) Labor Code section 226 (failure 8 to provide accurate wage statements), (6) Labor Code sections 201, 202, and 203 9 (failure to pay all wages due upon termination), (7) Labor Code section 2100 et seq. 10 (failure to comply with California Quota Laws), and (8) Business and Professions Code 11 section 17200 et seq. (violation of the Unfair Competition Law). 12 Plaintiff’s first and sixth causes of actions pertain to the alleged nonpayment of 13 wages by Defendants brought under Article I of the Labor Code and are therefore 14 exempted from mandatory arbitration under Labor Code section 229. However, 15 Plaintiff’s second, third, fourth, fifth, seventh, and eighth claims are not related to 16 unpaid wages and do not raise claims under sections 200 through 244 of the Labor 17 Code and thus are not subject to section 229’s application. Lane v. Francis Capital 18 Mgmt. LLC, 224 Cal. App. 4th 676, 684 (holding that section 229 applies only to 19 sections 200 through 244 because “[s]ection 229 is found in article 1 of division 2, part 20 I, chapter 1 of the Labor Code, encompassing

sections 200 through 244”). 21 Plaintiff argues that under the Supreme Court’s decision in *Naranjo v. Spectrum 22 Sec. Services, Inc.*, 13 Cal. 5th 93 (2022), the remaining claims are in fact claims for 23 unpaid wages and therefore covered by Labor Code section 229. In *Naranjo*, plaintiffs 24 had sued for a violation of state meal break requirements under an Industrial Welfare 25 Commission wage order. *Id.* at 102. Pursuant to Labor Code section 226.7, plaintiffs 26 sought an additional hour of pay for each day on which the defendant failed to 27 provide the legally required break. *Id.* at 102–03. On review, the issue was whether 28 the failure to give the “premium pay” required by section 226.7(c) also constituted a 1 failure to pay the wages of an employee who is discharged or quits under Labor Code 2 section 203. *Id.* at 105. While the California Supreme Court recognized that the 3 premium pay is in part a penalty, it concluded that pay owed under section 226.7 “can 4 equally be viewed as wages.” *Id.* at 107. Accordingly, the Court concluded that 5 “missed-break premium pay constitutes wages for purposes of Labor Code section 6 203, and so waiting time penalties are available under that statute if the premium pay 7 is not timely paid.” *Id.* at 117. 8 In reaching its conclusion, the California Supreme Court distinguished a prior 9 case, *Kirby v. Immoos Fire Prot., Inc.*, 53 Cal. 4th 1244 (2012). In *Kirby*, the California 10 Supreme Court concluded that an action brought under Labor Code section 226.7 11 was not an “action brought for the nonpayment of wages” for purposes of the attorney 12 fee provision in Labor Code section 218.5(a). *Id.* at 1255. Rather, the court 13 concluded, “a section 226.7 action is brought for the nonprovision of meal and rest 14 periods, not for the ‘nonpayment of wages.’” *Id.* (emphasis omitted). While some 15 lower state courts had read *Kirby* to suggest that “the legal violation underlying a 16 section 226.7 claims is . . . not the nonpayment of wages,” *Naranjo*, 13 Cal. 5th at 111 17 (internal citations omitted), the California Supreme Court rejected that conclusion and 18 highlighted the different inquiry that was the subject of *Kirby*: 19 *Kirby* explained that our prior conclusion that premium pay is a wage did not necessarily mean that an action under section 226.7 is an action 20 for nonpayment of wages under section 218.5. The characterization of 21 the nature of an action under section 218.5 turns instead on the nature of the underlying legal violation the action seeks to remedy, not the 22 form of relief that might be available to cure that violation. 23 24 *Naranjo*, 13 Cal. 5th at 111. That is to say, while *Kirby* was concerned with the “action” 25 as that term was understood in section 218.5, *Naranjo* was concerned with what 26 constituted “wages” for purposes of section 203. 27 The inquiry in this case is similar to that in *Kirby*: what constitutes an “action to 28 enforce the provisions of this article for the collection of due and unpaid wages 1 claimed by an individual” for purpose of Labor Code section 229. The fact that a 2 remedy may constitute wages for purposes of *Naranjo* is simply irrelevant in 3 determining whether the action is brought to enforce the provisions of Article I of the 4 Labor Code. While not binding on this Court, the Ninth Circuit’s unpublished decision 5 *Morales v. U.S. Dist. Ct. for Cent. Dist. of Cal., L.A.*, No. 24-536, 2024 WL 3565262 (9th 6 Cir. July 29, 2024), reflects this same distinction. *Id.* at *3 (“By clearly distinguishing 7 between the violation (no breaks) and the remedy (extra compensation), *Naranjo* did 8 not

recharacterize a claim for meal-and-rest-break violations as an action to collect 9 unpaid wages.”) These cases illustrate that in addition to being for the collection of 10 due and unpaid wages (as that term is understood in *Naranjo*), an action for 11 enforcement under section 229 must have a statutory basis in Article I of the Labor 12 Code. Only Plaintiff’s causes of action one and six meet this requirement. Therefore, 13 Defendant may validly seek to arbitrate Plaintiff’s second, third, fourth, fifth, seventh, 14 and eighth claims consistent with Labor Code section 229. As Plaintiff does not 15 identify any other exemption that would apply to those claims, they must be arbitrated 16 pursuant to California law. 17 While the first and sixth causes of action are not subject to arbitration, the Court 18 must also consider whether the class action waiver for these claims is valid under the 19 California Supreme Court’s decision in *Gentry*. The party seeking to invalidate a class 20 action waiver must provide a “proper factual showing” for the Court. *Gentry*, 42 Cal. 21 4th at 466. *Gentry* outlines four factors to be considered by courts when weighing 22 class action exemptions in arbitration agreements: (1) “the modest size of the 23 potential individual recovery”; (2) “the potential for retaliation against members of the 24 class”; (3) “the fact that absent members of the class may be ill informed about their 25 rights”; and (4) “and other real world obstacles to the vindication of class members’ 26 right[s].” *Id.* at 463–64. If, after considering these factors, the court finds that a class 27 waiver “will likely lead to a less comprehensive enforcement of overtime laws” and that 28 class proceedings would be “a significantly more effective practical means of 1 vindicating the rights of the affected employees,” the agreement’s class prohibition is 2 unenforceable. *Id.* at 463. 3 First, Plaintiff’s claims are modest and would lead to moderately low recovery. 4 She is paid a relatively low salary (approximately minimum wage) and the unpaid 5 wages she is suing for stem from a limited period of time. (See Opp’n at 8; see also 6 Decl. of Justin Hewgill, hereinafter “Hewgill Decl.” at ¶¶ 2, 3.) *Gentry* itself provides a 7 helpful data point in weighing recovery amounts, citing with approval a case in which 8 an individual claim “as large as \$37,000” was found to be an insufficient incentive for 9 individual actions under this factor. *Gentry*, 42 Cal. 4th at 458 (citing *Bell v. Farmers 10 Ins. Exch.*, 115 Cal. App. 4th 715, 745 (2004)). Plaintiff’s relatively low salary and the 11 unpaid wages she is suing for stem from a specific and limited period of time and 12 would likely result in a potential recovery lower than the \$37,000 that *Gentry* believed 13 was a modestly low recovery. Additionally, she is suing on behalf of a class of workers 14 in single factory, which necessarily limits the size of the class and of the potential 15 payout. After weighing these considerations, the Court finds the first *Gentry* factor is 16 in Plaintiff’s favor. 17 However, under the second factor, Plaintiff does not establish that she or similar 18 workers would face retaliation. In her briefing and attached declaration of her 19 attorney, Plaintiff posits that “lower wage workers are more vulnerable to losing their 20 jobs and will likely not bring claims against their current employer – for fear of 21 retaliation real or perceived.” (Opp’n. at 9; see Hewgill Decl. ¶¶ 4–6.) But Plaintiff 22 does not illustrate whether and how this generalization applies to her or her fellow 23 workers; she merely relies on the self-serving and general

declaration of her own attorney. (Id.) Accordingly, the Court finds that the second Gentry factor does not weigh in Plaintiff's favor. Under the third factor, whether the class members would be informed of their rights, Plaintiff similarly does not provide any information as to how her potential class is informed or uninformed of their rights. She again relies solely on generalizations from her attorney. (Id.) This factor similarly does not favor Plaintiff. The last factor is unavailing for Plaintiff. While there are numerous barriers to potential plaintiffs levying claims against their employers, Plaintiff again relies on the self-serving declaration of her attorney and does not provide any specific information about the barriers she or her class would otherwise face to bring suits like the present action. (See id.) Accordingly, this factor weighs in favor of Defendants. After weighing the Gentry factors, the Court does not find that disallowance of the remaining class-based claims to proceed "will likely lead to a less comprehensive enforcement of overtime laws" and that class proceedings would be "a significantly more effective practical means of vindicating the rights of the affected employees." Gentry, 42 Cal. 4th at 463. Accordingly, as to the claims not subject to arbitration—the first and sixth causes of action—Plaintiff is limited to bringing these causes of action on an individual basis, and her class action claims are dismissed.

CONCLUSION

In accordance with the above, Defendant's Motion to Compel Arbitration (ECF. No. 11) is GRANTED in part and DENIED in part. Plaintiff may proceed with her first and sixth causes of action on an individual basis, and must arbitrate her second, third, fourth, fifth, seventh, and eighth causes of action. As to the first and sixth cause of action, those claims are STAYED pending the resolution of the claims that must be arbitrated. See Muller v. Roy Miller Freight Lines, LLC, 34 Cal. App. 5th 1056, 1070 (2019). IT IS SO ORDERED. Dated: February 27, 2025 Donel J. Hon. Daniel Alabretta

UNITED STATES DISTRICT JUDGE

DJCS - saul24cv01331.mtca 18