

UNITED STATES DISTRICT COURT FOR THE DISTRICT OF SOUTH
DAKOTA, SOUTHERN DIVISION

Cooks v. Natural Grocers by Vitamin Cottage, Inc.

Cooks · No. 4:25-CV-04106-ECS · Decided January 6, 2026

SUMMARY

The United States District Court for the District of South Dakota granted Natural Grocers’ motion to compel arbitration and stay proceedings in Alise Cooks’s employment discrimination and retaliation action. After an evidentiary hearing, the court found that Cooks electronically signed a valid arbitration agreement and class action waiver, rejected her unconscionability argument, and determined that her claims fell within the agreement’s scope. The court stayed the case and referred the parties to arbitration.

CASE DETAILS

COURT	United States District Court for the District of South Dakota, Southern Division
WRITING FOR THE COURT	Eric C. Schulte
JURISDICTION	United States District Court for the District of South Dakota, Southern Division
DECIDED	January 6, 2026
DOCKET	4:25-CV-04106-ECS
DISPOSITION	other
PROCEDURAL POSTURE	Defendant moved to compel arbitration and stay the employment-discrimination action. Because Plaintiff disputed the authenticity and formation of the electronic arbitration agreement, the court held an evidentiary hearing and resolved the formation issue.
STANDARD OF REVIEW	When a genuine issue of fact exists concerning formation of an arbitration agreement, the court must conduct a trial on that issue under 9 U.S.C. § 4. The court evaluated the evidence concerning the electronic signature and contract formation.
PRECEDENTIAL VALUE	unknown
PARTIES	Alise Cooks v. Natural Grocers by Vitamin Cottage, Inc.

TOPICS

employment arbitration

arbitration

unconscionability

civil procedure

evidence

PRACTICE AREAS

arbitration

employment law

employment arbitration

civil procedure

contracts

QUESTIONS PRESENTED

1. Whether a valid arbitration agreement was formed when the employer presented electronic records and testimony showing that Plaintiff's password-protected account was used to sign the agreement.
2. Whether the arbitration agreement was unconscionable because of unequal bargaining power or its alleged adhesive nature.
3. Whether Plaintiff's employment-discrimination and retaliation claims fell within the agreement's coverage.
4. Whether the action had to be stayed pending arbitration.

HOLDINGS

1. A valid arbitration agreement existed because the evidence established that the electronic signatures were acts attributable to Cooks.
2. The arbitration agreement was valid and not unconscionable; unequal bargaining power alone did not make the employment arbitration requirement unenforceable.
3. Cooks's claims were arbitrable because they arose out of or related to her employment with, and termination from, Natural Grocers.
4. The court was required to stay the proceedings while the parties proceeded to arbitration.

KEY QUOTATIONS

"When a district court finds that a lawsuit involves an arbitrable dispute, and a party requests a stay pending arbitration, §3 of the FAA compels the court to stay the proceeding."

"The Court is satisfied that the electronic signatures received into evidence were the acts of Cooks."

"Instead, the Court holds the arbitration requirement in this case is valid and not unconscionable."

FACTUAL BACKGROUND

Alise Cooks, a former Natural Grocers employee, brought claims of discrimination and retaliation arising from her employment and termination. Natural Grocers produced an arbitration agreement and class-action waiver purportedly electronically signed by Cooks during the employer's online hiring and onboarding process. Evidence showed that the agreement was accessed through password-protected applicant credentials and electronically signed at a recorded time, while Cooks asserted that she was asleep at that time and therefore did not sign it.

PROCEDURAL HISTORY

Cooks filed claims against her former employer alleging discrimination and retaliation. Natural Grocers moved to compel arbitration and stay the action based on an electronically signed arbitration agreement and class-action waiver. After an evidentiary hearing at which the court received testimony and exhibits, the court found a valid and enforceable arbitration agreement covering Cooks's claims, granted the motion, stayed the case, and referred it to arbitration.

DISPOSITION

other

REMAND INSTRUCTIONS

The case is stayed and referred to arbitration. The parties must inform the court of the case's status after arbitration is complete.

CASES CITED

- AT&T Mobility LLC v. Concepcion, AT&T Mobility LLC v. Concepcion, 563 U.S. 333, 339, 345-46 (2011)
- Volt Information Sciences, Inc. v. Board of Trustees of Leland Stanford Junior University, 489 U.S. 468, 478 (1989)
- Smith v. Spizzirri, 601 U.S. 472, 478 (2024)
- Foster v. Walmart, Inc., 15 F.4th 860, 862, 865 (8th Cir. 2021)
- Barker v. Golf U.S.A., Inc., 154 F.3d 788, 791 (8th Cir. 1998)
- Epic Systems Corp. v. Lewis, 584 U.S. 497, 509-25 (2018)
- Arif v. Wells Fargo Bank, N.A., No. 4:24-CV-04044-LLP, 2025 WL 949551, at *10 (D.S.D. Mar. 28, 2025)
- Baker v. Science Applications International Corp., No. Civ. 06-4096, 2006 WL 2708546, at *2 (D.S.D. Sept. 21, 2006)
- Gilmer v. Interstate/Johnson Lane Corp., 500 U.S. 20, 33 (1991)
- Baldwin v. National College, 537 N.W.2d 14, 17 (S.D. 1995)
- Nygaard v. Sioux Valley Hospitals & Health System, 731 N.W.2d 184, 194-95 (S.D. 2007)
- Johnson v. John Deere Co., 306 N.W.2d 231, 237 (S.D. 1981)

OPINION

UNITED STATES DISTRICT COURT DISTRICT OF SOUTH DAKOTA SOUTHERN DIVISION ALISE COOKS, 4:25-CV-04106-ECS Plaintiff, VS. ORDER GRANTING DEFENDANT’S MOTION TO COMPEL ARBITRATION AND STAY PROCEEDINGS NATURAL GROCERS BY VITAMIN □ COTTAGE, INC., Defendant.

The Federal Arbitration Act (FAA) reflects a national policy favoring arbitration. AT&T Mobility LLC v. Concepcion, 563 U.S. 333, 339, 345-46 (2011). “The principal purpose of the FAA is to ensure that private arbitration agreements are enforced according to their terms.” Id. at 344

(quoting *Volt Info. Scis., Inc. v. Bd. of Trs. of Leland Stanford Junior Univ.*, 489 U.S. 468, 478 (1989) (citation modified)).

So, “[w]hen a district court finds that a lawsuit involves an arbitrable dispute, and a party requests a stay pending arbitration, §3 of the FAA compels the court to stay the proceeding.” *Smith v. Spizzirri*, 601 U.S. 472, 478 (2024). A dispute is arbitrable if a valid agreement between the parties says so. *Foster v. Walmart, Inc.*, 15 F.4th 860, 862 (8th Cir.

2021); see 9 U.S.C. § 2. Plaintiff Alise Cooks is a former employee of Natural Grocers. Doc. 1 at 5; Doc 7 at 2. On June 18, 2025, Cooks brought this action against her former employer alleging various claims of discrimination and retaliation. Doc. 1. But according to Natural Grocers, Cooks agreed to settle any dispute arising out of her employment through binding arbitration.

Doc. 7 at 2-3; see Doc. 7-2. So, Natural Grocers moves the Court to stay these proceedings and compel arbitration. Doc. 6. In support, Natural Grocers proffers the Arbitration Agreement and Class Action Waiver it says Cooks electronically signed on February 10, 2024, at 5:15 A.M. Doc. 7-2.

The validity of the arbitration agreement is determined by state contract law. *Barker v. Golf U.S.A., Inc.*, 154 F.3d 788, 791 (8th Cir. 1998). In South Dakota, the essential elements of a contract are “(1) Parties capable of contracting; (2) Their consent; (3) A lawful object; and (4) Sufficient cause or consideration.” SDCL § 53-1-2. No party here argues an incapacity to contract.

The object is lawful—the agreement to arbitrate disputes individually. Doc. 7-2 at 1; *Epic Sys. Corp. v. Lewis*, 584 U.S. 497, 509-25 (2018). The consideration is the offer of employment. Doc. 7-2 at 1. Consent is disputed. Cooks argues that she did not sign the agreement and that “[o]n February 10th at 5:15 am [she] was asleep.” Doc. 12 at 1. When a genuine issue of fact exists concerning the formation of an arbitration’ Agreement, a district court must conduct a trial on the issue.

9 U.S.C. § 4; *Foster*, 15 F.4th at 865; *Arif v. Wells Fargo Bank, N.A.*, No. 4:24-CV-04044-LLP, 2025 WL 949551, at *10 (D.S.D: Mar. 28, 2025) (citations omitted). Where “the party alleged to be in default” does not demand a jury trial, it is the Court’s duty to “hear and determine such issue.” 9 U.S.C. § 4.

Here, Cooks requested “an oral hearing” on the matter. Docs. 16, 20. The Court conducted an evidentiary hearing on December 19, 2025, at Sioux Falls, South Dakota. Doc. 25. The Court heard oral argument and received evidence in the form of witness testimony and exhibits. *Id.* The Court then took the matter under advisement.

After careful consideration, the Court now concludes that a valid arbitration agreement exists between the parties. Because Cooks disputes the validity of her electronic signature, the Court’s

decision is guided by SDCL § 53-12-21, which states: An electronic record or electronic signature is attributable to a person if it was the act of the person.

The act of the person may be shown in any manner, including a showing of the efficacy of any security procedure applied to determine the person to which the electronic record or electronic signature was attributable. At the evidentiary hearing, Heidi Hayward, Vice President of Human Resources at Natural Grocers, testified about the procedure a Natural Grocers employment candidate navigates to transition to employee status.

The process begins with a candidate creating a profile in iCIMS—Natural Grocers’ applicant tracking software. The candidate accesses that system by creating a username and a password. After applying for a position, the candidate moves through steps in the iCIMS system such as being selected for an interview. Once an offer for the candidate is loaded into iCIMS, a workflow is triggered, launching an email to the address associated with the candidate’s profile.

The email invites the candidate to view the offer by clicking on an embedded link and entering her access credentials. To accept the offer, the candidate acknowledges and accepts the terms of the offer as well as the arbitration agreement / class action waiver through electronic signature. These steps are mandatory, and their completion triggers the new employee’s welcome email detailing the next steps in the onboarding process.

Natural Grocers entered into evidence screenshots from its system’s “iForms Center” indicating Cooks electronically signed both her offer and the arbitration agreement on February 10, 2024, at 5:15 A.M. Doc. 27 at 14-15.

The Court is persuaded by this testimony and exhibit that Cooks accessed and accepted both her offer and the arbitration agreement using her password-protected credentials on February 10, 2024. Cooks’ only defense to the fact of her signature is that she was not awake at 5:15 A.M. But Hayward testified that the timestamp on the forms is indicative of the time zone in which they are accessed, noting that Natural Grocers’ home office is in Denver.

Further, Hayward clarified after questioning from this Court that the offer was sent to Cooks the day before Cooks signed it at 5:15 A.M. Cooks did not engage with this testimony at the evidentiary hearing. The Court is satisfied that the electronic signatures received into evidence were the acts of Cooks. SDCL § 53-12-21. Even if Cooks did sign the arbitration agreement, she argues it is unconscionable because of the parties’ unequal bargaining power.

Doc. 12 at 1. But as Natural Grocers notes, “there will often be unequal bargaining power between employers and employees.” Doc. 11 at 5 (quoting *Baker v. Sci. Applications Int’l Corp.*, No. Civ. 06-4096, 2006 WL 2708546, at *2 (D.S.D. Sept. 21, 2006)). Adopting Cooks’ logic would render any term of her former employment unconscionable—her wage, her job duties, her title—simply because Natural Grocers possessed greater bargaining power.

The impracticality of that outcome demonstrates why “[m]ere inequality in bargaining power... is not a sufficient reason to hold that arbitration agreements are never enforceable in the employment context.” *Gilmer v. Interstate/Johnson Lane Corp.*, 500 U.S. 20, 33 (1991). An arbitration agreement is unconscionable when any contract would be. *Id.* In South Dakota, a contract is unconscionable if it is a “[o]ne-sided agreement[] whereby one party is left without a remedy for another party’s breach.” *Baldwin v. Nat’l*

Coll., 537 N.W.2d 14, 17 (S.D. 1995) (citation omitted). Cooks’ arbitration agreement provides a vehicle for her to seek a remedy for breach. If the Court were to assume the contract is one of adhesion, it is unconscionable if the arbitration requirement is an “overly harsh or one-sided term[].” *Nygaard v. Sioux Valley Hosps. & Health Sys.*, 731 N.W.2d 184, 194-95 (S.D.

2007) (quoting *Johnson v. John Deere Co.*, 306 N.W.2d 231, 237 (S.D. 1981)). Considering our national policy favoring arbitration, it would not be prudent for this Court to hold, as Cooks requests, that the arbitration requirement in this case is overly harsh or one-sided. Instead, the Court holds the arbitration requirement in this case is valid and not unconscionable.

Having found a valid arbitration agreement exists between the parties, the Court must determine whether it covers the claims brought here. *Foster*, 15 F.4th at 862. The agreement states that Cooks will settle “[a]ny dispute, controversy or claim arising out of or relating to [her] employment with the Company or the termination thereof.” Doc. 7-2 at 1.

Because Cooks’ claims arise out of her employment with and termination from Natural Grocers, see generally Doc. 1, the Court holds that the disputes are arbitrable. The Court must stay this matter while the parties proceed to arbitration. *Smith*, 601 U.S. at 478; 9 U.S.C. § 3.

For the above reasons, and the record as it now exists before the Court, it is hereby ORDERED that Defendant’s Motion to Compel Arbitration and Stay Proceedings, Doc. 6, is granted. Pursuant to 9 U.S.C. § 3, the Court stays this case and refers it to arbitration.

The parties shall inform the Court about the status of the case once arbitration is complete. DATED this 6th day of January, 2026. BY THE CO: ~~ ERIC C. SCHULTE UNITED STATES DISTRICT JUDGE