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## **ADR Quarterly Case Update – Mediation and Recovery of Attorney Fees**

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### **Sellers of residential property entitled to attorney fees even though they initially refused to mediate.**

In *Evleshin v. Meyer* (Nov. 6, 2025) 115 Cal. App. 5th 1021, Plaintiffs Sequoia and Nicole Evleshin purchased a Santa Cruz home from Stephen and Karin Meyer. The transaction was governed by a standard form Residential Purchase Agreement providing that the prevailing party to an action would be entitled to recover reasonable attorney fees. In addition, the Agreement required the parties to mediate any dispute before litigation, or waive their right to recover fees should they prevail in litigation. Specifically, paragraph 22A of the Agreement stated that the parties “agree[d] to mediate any dispute or claim arising . . . out of this Agreement, or any resulting transaction, before resorting to arbitration or court action.” The fourth sentence of paragraph 22A stated that if a party “before commencement of an action refuses to mediate after a request has been made,” then that party is not entitled to recover fees. A dispute arose and the Evleshins requested the Meyers to mediate their claim. The Meyers initially refused but, six weeks later and before the Evleshins commenced litigation, agreed to mediate. The Evleshins filed suit two days later. The Meyers prevailed at trial and sought fees. The trial court denied their request for fees because they initially refused to mediate. The Meyers appealed.

Reversed. The goal of contract interpretation is to give effect to the mutual intention of the parties based on the written provisions of the contract. If the language is ambiguous, it should be construed to make the instrument lawful, definite, and reasonable. Here, paragraph 22A was susceptible to two interpretations. One in which any party who refuses any request to mediate before an action is commenced waives the right to fees, and another in which a party may recover fees even if it refuses a pre-filing request to mediate, as long as it subsequently expresses a willingness to mediate prior to commencement of litigation. Comparing these two interpretations, the second was more reasonable because it incentivized mediation. Moreover, penalizing a party that initially refused mediation, but retracted that refusal before a court action had been filed, would seem to conflict with the first sentence of Paragraph 22A. Finally, this interpretation avoids automatic forfeiture regardless of a party’s retraction, which is to be avoided where reasonably possible in contract interpretation.

### **Employer’s late payment of arbitration fees due to processing delay does not forfeit its right to compel arbitration.**

In *Wilson v. TAP Worldwide, LLC* (Oct. 2, 2025) 114 Cal. App. 5th 1077, Anthony Wilson was employed by TAP Worldwide, LLC. He sued TAP alleging racial, religious, and disability discrimination and harassment during his employment. TAP successfully moved to compel arbitration. On June 7, 2023, the arbitrator sent an invoice for fees to all parties, stating it was due 30 days from the invoice



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date. An electronic payment was initiated on July 7, 2023, a Friday, but it was not processed and received by the arbitration provider until July 10, 2023, the following Monday. Wilson moved to vacate the order compelling arbitration, arguing TAP had forfeited its rights under Code of Civil Procedure section 1281.98 by failing to pay the invoice on time. The trial court granted the motion, strictly enforcing the statute’s deadline. It also awarded Wilson over \$11,000 in fees and costs associated with the abandoned arbitration proceedings. TAP appealed. While the appeal was pending, the California Supreme Court decided *Hohenshelt v. Superior Court* (2025) 18 Cal.5th 310, which changed the strict interpretation of section 1281.98’s deadline to allow for good-faith mistake, inadvertence, or other excusable neglect.

Reversed. Under section 1281.98, if the drafting party to an employment or consumer arbitration contract fails to pay any fees and costs required to continue the proceeding within 30 days, the drafting party is in material breach of the arbitration agreement and in default, thereby waiving its right to compel arbitration. If the employee or consumer elects to withdraw from the arbitration and proceed in court, they may bring a motion to recover all fees and costs associated with the abandoned arbitration. However, section 1281.98 does not extinguish the drafting party’s right to arbitrate where the non-payment of fees results from a good-faith mistake, inadvertence, or other excusable neglect because a strict interpretation of the provision would be preempted by federal law. Here, at the time the trial court rendered its decision, the California Supreme Court had not yet clarified the scope of section 1281.98 in *Hohenshelt*, so the trial court awarded fees to Wilson based on a strict interpretation of the statute. Because the award rested on an interpretation of law that was no longer valid and would be preempted by federal law, the fee award could not stand.

**However, employer waived right to compel arbitration by refusing to identify employees who signed arbitration agreements and engaging in extensive discovery.**

***“Here, the Court of Appeal determined that plaintiffs had met their burden to show that Sierra Pacific knew of its right to compel arbitration and engaged in conduct so inconsistent with an intent to enforce that right as to lead a reasonable fact finder to conclude Sierra Pacific abandoned it.”***

In *Sierra Pacific Wage and Hour Cases* (Dec. 9, 2025, No. C099436) \_\_\_ Cal.App.5th \_\_\_ [2025 WL 3524981], Plaintiff Quinton McDonald brought a class action for wage and hour violations against Sierra Pacific Industries. Sierra Pacific defended the action in the trial court for years, engaged in extensive discovery, remained silent on the subject of arbitration, and refused to produce arbitration agreements signed by putative class members, despite being ordered to do so. Years later, Sierra Pacific produced more than 3,400 signed arbitration agreements and moved to compel arbitration. It argued that the motion to compel was timely because plaintiffs had not signed agreements and arbitration could not be compelled against the signatory employees before certification of the class. Plaintiffs countered that Sierra Pacific withheld these arbitration agreements in violation of the trial court’s discovery order. They emphasized that Sierra Pacific participated in significant class discovery involving the signatory employees, without identifying them as such. Furthermore, plaintiffs had no way of knowing that nearly half of the putative class was potentially subject to arbitration. The trial court denied the motion, concluding that Sierra Pacific had waived the right to compel arbitration by failing to produce the agreements and by engaging in years of discovery and litigation.

Affirmed. In *Quach v. California Commerce Club* (2024) 16 Cal.5th 562, the California Supreme Court held that waiver requires clear and convincing



evidence that the waving party knew of its contractual right and intentionally relinquished it. This inquiry focuses on the party's conduct - not the effect of that conduct. Here, the Court of Appeal determined that plaintiffs had met their burden to show that Sierra Pacific knew of its right to compel arbitration and engaged in conduct so inconsistent with an intent to enforce that right as to lead a reasonable fact finder to conclude Sierra Pacific abandoned it. Regarding timing, the court noted that the class certification would not have changed Sierra Pacific's understanding of its arbitration rights, and so would not impact its ability to act consistently with its right to arbitrate

**Lack of mutuality in arbitration agreement between employer and employee renders it unenforceable.**

In *Gurganus v. IGS Solutions* (Oct. 17, 2025) 115 Cal. App. 5th 327, plaintiff Sarah Gurganus was employed by defendant IGS Solutions LLC. None of the onboarding documents she signed at the outset of her employment included an arbitration clause. However, five months into her employment, she electronically signed numerous additional employment documents, including an Arbitration Agreement and a "Confidentiality and Non-Disclosure Agreement (CND)." The Arbitration Agreement applied to employment disputes, though excluded claims seeking injunctive or declaratory relief regarding the use or unauthorized disclosure of confidential information. The CND included a dispute resolution provision that permitted IGS to enforce the CND in court. After Gurganus was terminated, she filed an action alleging various employment-related claims. IGS moved to compel arbitration. The trial court denied the motion, finding the Arbitration Agreement was both procedurally and substantively unconscionable and that severance was not warranted. The ruling stated there was "at least a modest degree of procedural unconscionability" inherent in the employment relationship as an employee lacks a meaningful opportunity to negotiate terms other than those proposed by the employer. As to substantive unconscionability, the court determined the Arbitration Agreement and CND together had the "net effect" of destroying the mutuality of arbitration, because they required Gurganus's claims to go to arbitration while permitting many of IGS's potential claims to go to court. Further, the confidentiality provision restricted employees from contacting or interviewing potential witnesses outside of the formal discovery process, which also weighed in favor of finding substantive unconscionability. IGS appealed.

Affirmed. Lack of mutuality exists when an arbitration agreement directs a wide range of claims that would typically be brought by an *employee* into arbitration, but specifically excludes from arbitration claims that would typically be brought by an *employer*, including claims related to intellectual property rights and those for equitable relief related to unfair competition or the disclosure of trade secrets or confidential information. Here, the trial court correctly found there was a lack of mutuality in the Arbitration Agreement and CND as claims that are typically brought by an employee are forced into arbitration while claims that are more likely to be brought by IGS may be brought in court. This lack of mutuality was substantively unconscionable to a high degree. IGS failed to provide justification for its expansive carve-outs in its favor.

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**Delegation clause must be clear and unmistakable to both parties.**

In *Villalobos v. Maersk* (Oct. 6, 2025) 114 Cal. App. 5th 1170, Plaintiff Carlos Villalobos was employed by Simplified Labor Staffing Solutions, Inc., a temporary staffing services company. Simplified Staffing placed Plaintiff with Defendant Maersk Warehouse and Distribution Services, where he worked first as a materials handler and later as a forklift operator. He filed a class action alleging multiple wage and hour claims under the Labor Code, and an unfair competition claim, against defendant Maersk, Inc. Plaintiff had previously signed an “Employee Agreement to Arbitrate” and a “Notice to Employees About Our Mutual Arbitration Policy,” both requiring binding arbitration of all disputes that related to Plaintiff’s employment. The arbitration policy stated that the American Arbitration Association’s employment rules would govern the procedures to be used in arbitration. It also identified where the rules could be viewed. Those rules included a delegation clause delegating authority to the arbitrator to decide arbitrability issues. However, nothing in either document signed by Plaintiff stated that the arbitrator had the power to rule on the existence, scope, or validity of the arbitration agreement. Defendants move to compel arbitration, which the trial court granted in part. It declined to compel arbitration of Plaintiffs’ minimum wage claim and the PAGA action. The trial court granted the motion as to Plaintiff’s other wage-and-hour claims. On appeal, Defendants argued that the trial court erred by not enforcing the Parties’ contractual delegation clause.

**“In the context of a mandatory arbitration agreement between an employer and an hourly worker, the incorporation of the rules of an arbitration provider – without expressly specifying in the parties’ agreement that under those rules the arbitrator will decide the scope and validity of the arbitration agreement – is not clear and unmistakable evidence of the parties’ intent to have those issues decided by the arbitrator.”**

Affirmed. In the context of a mandatory arbitration agreement between an employer and an hourly worker, the incorporation of the rules of an arbitration provider – without expressly specifying in the parties’ agreement that under those rules the arbitrator will decide the scope and validity of the arbitration agreement – is not clear and unmistakable evidence of the parties’ intent to have those issues decided by the arbitrator. Absent unusual circumstances, an employer who intends to delegate issues of arbitrability to the arbitrator must express that intent in the arbitration agreement itself. Anything less is not clear and unmistakable evidence that *both* parties understood and intended that the arbitrator would decide arbitrability questions.

**Arbitration agreement seeking to waive a party’s right to seek public injunctive relief was unenforceable.**

In *Kahn v. Coinbase, Inc.* (Oct. 23, 2025) 115 Cal. App. 5th 518, Haamid Kahn sued Coinbase, Inc., an online cryptocurrency transaction business for unfair competition and related consumer protection violations based upon Coinbase’s alleged practice of charging “hidden fees.” Before conducting a transaction with Coinbase, Kahn was required to consent to the terms of a detailed user agreement that included an arbitration clause. In response to Kahn’s suit, Coinbase filed a petition to compel contractual arbitration, which the trial court denied pursuant to *McGill v. Citibank*, N.A. (2017) 2 Cal.5th 945, 955 (*McGill*). The court’s decision was supported by findings that Khan was seeking public injunctive relief, and that the arbitration agreement’s purported waiver of Khan’s right to seek such relief was unenforceable under California law. On appeal, Coinbase argued that because the platform’s services required users to create and log in to accounts, any injunction governing fee information would necessarily operate only within the ecosystem of active account holders, and therefore was private, not public, in nature.



***“Because the right to public injunctive relief exists independently of private contractual waiver, such claims are not subject to arbitration even if covered by an arbitration clause under McGill.”***

Affirmed. Under California Civil Code section 3513, contract provisions waiving a party’s right to seek public injunctive relief are invalid and unenforceable. Public injunctive relief includes injunctions where the “primary purpose and effect” are to prohibit unlawful conduct that harms the general public. Because the right to public injunctive relief exists independently of private contractual waiver, such claims are not subject to arbitration even if covered by an arbitration clause under *McGill*. Here, Kahn’s complaint involved public, not private, injunctive relief. Coinbase’s user base and trading platform were publicly accessible. Any member of the public could create an account, and the alleged misrepresentations would occur before and during transactions open to all prospective consumers. Consequently, the injunction Kahn sought – to prohibit deceptive disclosures of hidden fees – was not limited to existing account holders. Rather, the injunction would prevent misleading conduct toward all potential users of the platform. The requested relief thus served a public purpose, not a private contractual one, because it sought to protect future consumers and promote truthful advertising in the broader marketplace, placing it squarely within the ambit of *McGill*’s definition of public injunctive relief.

**Trial court may, sua sponte, deny motion to compel arbitration of sexual harassment case under the Ending Forced Arbitration of Sexual Assault and Sexual Harassment Act.**

In *Quilala v. Securitas Security Services USA, Inc.* (Dec. 16, 2025, No. A172017) \_\_\_ Cal.App.5th \_\_\_ [2025 WL 3639429], Francisco Quilala filed a sexual harassment suit against his former employer, Securitas Security Services USA, Inc., and others. He had previously signed an arbitration agreement providing that any employment-related disputes would be governed by the Federal Arbitration Act (9 U.S.C. § 1 et seq.; FAA) and subject to arbitration. Defendants moved to compel arbitration. Quilala opposed the motion, arguing it was void for several reasons. The trial court issued a tentative ruling denying the motion on a basis not raised by either party - that arbitration was barred by the Ending Forced Arbitration of Sexual Assault and Sexual Harassment Act of 2021 (9 U.S.C. §§ 401–402; EFAA), which precludes arbitration of sexual harassment claims based upon a pre-dispute arbitration agreement. After hearing, the court adopted the tentative ruling. Defendants appealed.

***“When a party seeks to compel arbitration under the FAA, the trial court has an obligation to ensure the dispute falls within its scope.”***

Affirmed. In 2022, Congress amended the FAA by enacting the EFAA, rendering a pre-dispute arbitration agreement unenforceable in cases involving a sexual assault or sexual harassment dispute. When a party seeks to compel arbitration under the FAA, the trial court has an obligation to ensure the dispute falls within its scope. Under this analysis, the trial court was required to evaluate whether arbitration was barred under the EFAA. Finally, the trial court was not required to request supplemental briefing. The parties were on notice of the court’s position in advance of the hearing based upon the tentative ruling.

**Wrongful death action subject to arbitration because claim was based on medical malpractice, not lack of custodial care.**

In *Faiaipau v. THC-Orange County, LLC* (Dec. 19, 2025, No. A171351) \_\_\_ Cal.App.5th \_\_\_ [2025 WL 3704596], plaintiffs, individually and as successors to their mother, Ana Faiaipau, filed a complaint for negligence, elder abuse, wrongful death, and other claims against THC-Orange County, LLC and Kindred Healthcare Operating, LLC (together, Kindred). The complaint alleged that Ana



**“Here, because the complaint repeatedly stated that the death was caused by disconnection of the ventilator, the wrongful death action was rooted in professional negligence, not custodial neglect, and was therefore subject to arbitration.”**

Faiaipau had been a patient at Kindred, a long-term acute care facility, and that Kindred failed to provide Ana dialysis and disconnected her ventilator tube that ultimately led to her death. Kindred moved to compel arbitration of all plaintiffs’ claims. The trial court granted Kindred’s motion as to the survivor claims, but denied the motion as to the individual claims, including wrongful death. Kindred appealed. While the appeal was pending, the California Supreme Court rendered its decision in *Holland v. Silverscreen Healthcare, Inc.* (2025) 18 Cal.5th 364 (*Holland*).

Affirmed as modified. If a patient agrees to arbitrate medical malpractice disputes in compliance with the Medical Injury Compensation Reform Act, the agreement may bind the patient’s heirs in a wrongful death action, even if the heirs were never parties to the arbitration agreement. Wrongful death claims are not derivative of a decedent’s claims, but rather independent statutory actions accruing to a decedent’s heirs. Given the overlap between acts that may constitute medical negligence and elder abuse, the *Holland* Court determined that only acts or omissions by a skilled nursing facility in its capacity as a health care provider fall under the scope of professional negligence and are arbitrable. By contrast, the failure to fulfill custodial duties (i.e., providing food, hydration, personal hygiene, etc.) owed by a custodian who happens also to be a healthcare provider is at most incidentally related to the professional health care services, and not subject to arbitration. Here, because the complaint repeatedly stated that the death was caused by disconnection of the ventilator, the wrongful death action was rooted in professional negligence, not custodial neglect, and was therefore subject to arbitration.

**Arbitrator’s failure to remember a fee-allocation stipulation was not a legally dispositive factual error warranting vacatur under the Federal Arbitration Act (9<sup>th</sup> Cir.).**

**“Here, the arbitrator’s factual error in apparently not remembering that the parties had agreed to bear their own fees for the settled counterclaims did not fall within the narrow carveout for ‘legally dispositive facts.’”**

In *VIP Mortgage, Inc. v. Gates* (9th Cir., Dec. 22, 2025, No. 24-7624) \_\_\_ F.4th \_\_\_ [2025 WL 3704357], VIP Mortgage, Inc., employed Jennifer Gates as a loan officer. After leaving VIP, Gates initiated arbitration under her employment agreement, alleging violations of the Fair Labor Standards Act and Arizona law for unpaid overtime. VIP Counterclaimed for breach of fiduciary duty and breach of contract. Before the arbitration concluded, the parties entered into a stipulation dismissing VIP’s counterclaims, expressly stipulating that each side would bear its own attorney fees and costs related to those counterclaims. The arbitrator approved the stipulation and dismissed the counterclaims. Later, after issuing an interim award in Gates’s favor, the arbitrator considered her request for attorney fees. VIP objected, but did not remind the arbitrator of the stipulation’s fee allocation provision. In the final award, the arbitrator granted Gates unpaid overtime, liquidated damages, and attorney fees totaling more than \$650,000, without segregating time spent on the dismissed counterclaims. VIP petitioned the district court to vacate or modify the award. The court denied the petition and confirmed the award. VIP appealed, arguing that the arbitrator’s failure to account for the fee-allocation stipulation constituted a legally dispositive factual error justifying vacatur.

Affirmed. Generally, an arbitrator’s unsubstantiated fact finding cannot justify federal court review of an arbitral award under the Federal Arbitration Act. There is, however, a narrow basis for vacatur where the facts are so firmly established that an arbitrator cannot fail to recognize them without manifestly disregarding



the law. To vacate an arbitration award based on such an error regarding a legally dispositive fact, the factual error must be dispositive to the disputed legal issue, and the arbitrator must have known about this undisputed fact when she decided the legal issue. In other words, the arbitrator's factual error must have been so critical, obvious, and intentional that it amounted to manifestly disregarding the law. Here, the arbitrator's factual error in apparently not remembering that the parties had agreed to bear their own fees for the settled counterclaims did not fall within the narrow carveout for "legally dispositive facts." VIP met the first prong because the factual error was legally dispositive, but it could not meet the second prong because the fact was not so obvious that the arbitrator must have known about it when she decided Gates's fees motion.

**Arbitration agreement was properly enforced where allegedly unconscionable terms were collateral to and severable from the arbitration agreement and did not secure an unfair forum to the employer.**

In *Wise v. Tesla Motors, Inc.* (Dec. 22, 2025, No. A170983) \_\_\_ Cal.App.5th \_\_\_ [2025 WL 3707196], Plaintiff Taila Wise had been employed by Defendant Tesla Motors, Inc. After her termination, she sued alleging disability discrimination and related claims. Tesla moved to compel arbitration based upon an arbitration agreement included in an offer letter that Wise had electronically signed at the outset of her employment. She also signed a Non-Disclosure and Inventions Assignment Agreement (NDIAA), which provided that Tesla could seek injunctive relief without a bond, and that Wise had the burden of proof to demonstrate any alleged proprietary information was in the public domain if she asserted that defense. The NDIAA did not address arbitration. Wise opposed the motion, arguing that the arbitration agreement and NDIAA should be read together, and that the NDIAA included unconscionable terms that tainted the arbitration agreement. The trial court agreed, declined to sever the unconscionable provisions, and denied Tesla's motion to compel arbitration.

Reversed. When a contract contains unconscionable terms, there is a preference for severing the unconscionable clauses and enforcing the remaining agreement. Accordingly, courts may liberally sever any unconscionable portion and enforce the rest of the agreement when: (1) the illegality is collateral to the contract's main purpose; (2) it is possible to cure the illegality by severance ; and (3) enforcing the balance of the contract would be in the interest of justice. Determining the interest of justice requires examining whether the employer embarked on an illegal scheme to secure a forum that works to its advantage. Here, the trial court was correct that the arbitration and NDIAA should be read together. However, the trial court should have severed the allegedly unconscionable terms and enforced the arbitration agreement. Those terms applied to all proceedings, and not just arbitrations, and had no bearing on the causes of action that Wise asserted. Nor did they threaten the arbitration procedure itself. The terms were, therefore, collateral to and severable from the arbitration agreement, and the interests of justice favored enforcement of the parties' agreement to arbitrate. Finally, the arbitration agreement did not secure a forum that worked to the employer's advantage.

**“Accordingly, courts may liberally sever any unconscionable portion and enforce the rest of the agreement when: (1) the illegality is collateral to the contract’s main purpose; (2) it is possible to cure the illegality by severance ; and (3) enforcing the balance of the contract would be in the interest of justice.”**



**Denial of motion to compel was proper where the parties' pre-*"Viking River"* waiver did not encompass mutual intent to "split" individual and non-individual PAGA claims.**

**"Here, the Court of Appeal noted that January 2014 was the temporal benchmark it must use in ascertaining the parties' mutual intent. At that time, the distinction *Viking River* drew between "individual PAGA claims" and "non-individual PAGA claims" was not clearly defined. Although PAGA actions can now be divided in that manner, the agreement, made more than a decade ago, did not clearly evince any intent to divide the claims."**

In *LaCour v. Marshalls of California, LLC* (Dec. 24, 2025, No. A170191) \_\_\_ Cal.App.5th \_\_\_ [2025 WL 3731034], Robert LaCour was employed by Marshalls for some years as a Loss Specialist. In March 2014, he signed an arbitration agreement that included a "Class Action, Collective Action, and Private Attorney General Waiver." Following LaCour's termination, he brought suit on behalf of himself, other employees and former employees, and the State of California, alleging a single cause of action for violation of the Private Attorneys General Act of 2004 (Lab. Code, § 2698 et seq.) for wage and hour violations. Marshalls moved to compel arbitration, invoking *Viking River Cruises, Inc. v. Moriana* (2022) 596 U.S. 639, and arguing that the rule in *Iskanian v. CLS Transportation Los Angeles, LLC* (2014) 59 Cal.4th 348, that invalidates wholesale waivers of PAGA claims in any forum, was preempted by the Federal Arbitration Act (9 USC § 1 et seq.) to the extent such a waiver bars agreed arbitration of the "individual component" of LaCour's PAGA claim. Marshalls argued that just as the severance clause in the arbitration agreement at issue in *Viking River* required arbitration of the "individual PAGA claim" in that case notwithstanding *Iskanian*, so the severance clause in the Arbitration Agreement here required arbitration of LaCour's "individual PAGA claim." The court denied the motion, commenting that "[i]n light of the law that every claim asserted under the PAGA is a claim asserted by the plaintiff as a proxy or agent of the state, there is no such thing as an 'individual PAGA claim.' "

Affirmed. PAGA allows aggrieved employees who have suffered Labor Code violations to bring representative actions as "agents" of the state on a representative basis. In *Viking River*, the Supreme Court abrogated that part of the *Iskanian* decision precluding the "splitting" of PAGA actions into "individual" and "non-individual" claims through an arbitration agreement. However, *Viking River* did not disturb the rule in *Iskanian* that invalidates wholesale waiver of PAGA claims. Here, the Court of Appeal noted that January 2014 was the temporal benchmark it must use in ascertaining the parties' mutual intent. At that time, the distinction *Viking River* drew between "individual PAGA claims" and "non-individual PAGA claims" was not clearly defined. Although PAGA actions can now be divided in that manner, the agreement, made more than a decade ago, did not clearly evince any intent to divide the claims. Because arbitration agreements must be read in a manner that effectuates the parties' mutual intent, the denial of the motion to compel was affirmed.

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