



# New California Limits on Choice-of-Law and Venue Provisions in Employment Contracts, Including Arbitration Agreements, with Employees Primarily Residing and Working in California

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Recently, Governor Jerry Brown signed S.B. 1241, which addresses choice-of-law and venue provisions in employment contracts that are entered into, modified or extended on or after January 1, 2017. Under the bill, the California Labor Code will be amended to provide that employers “shall not require an employee who primarily resides and works in California, as a condition of employment, to agree to a provision that would”: (1) “[r]equire the employee to adjudicate outside of California a claim arising in California” and (2) “[d]eprive the employee of the substantive protection of California law with respect to a controversy arising in California.” The term “adjudicate” includes both litigation and arbitration.

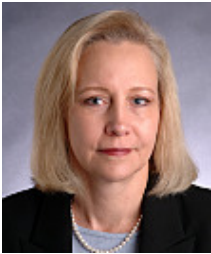
The new law means that employers cannot require employees, who primarily reside and work in California, to arbitrate disputes outside the state or have disputes resolved through choice-of-law provisions that apply the laws of another state as a condition of employment. The new law provides that a contract provision that is in violation can be voided at the option of the employee. In addition, an employee enforcing rights under SB 1241 is entitled to reasonable attorney’s fees. Notably, the new law does not apply to an employee who is represented by legal counsel in negotiating the terms of an agreement.

In addition, Governor Brown signed S.B. 1007, which provides that a party to an arbitration has the right to have a certified shorthand reporter transcribe proceedings in arbitration.

Employers should ensure that any agreements with employees entered into, modified or extended on or after January 1, 2017, including arbitration agreements, are carefully crafted to comply with this new California law. If you have questions about employment agreements or arbitration agreements, contact experienced counsel for advice and information in this changing area of the law.

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