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New California Law Narrows Employment Arbitration Beginning in 2027

California employers recently received reassurance from the Court of Appeal that minor drafting inconsistencies will not necessarily invalidate an employment arbitration agreement when the parties' intent is clear. A new California law, however, will narrow the circumstances in which certain disputes may be compelled to arbitration beginning January 1, 2027.

Assembly Bill 2155 aligns California law with exclusions and limitations under the Federal Arbitration Act, particularly those involving transportation workers and sexual assault or sexual harassment claims.

Before AB 2155, California Code of Civil Procedure section 1281 recognized written arbitration agreements as "valid, enforceable and irrevocable, save upon such grounds as exist for the revocation of any contract." AB 2155 leaves that language, but adds subsection (b):

"Notwithstanding subdivision (a), a written agreement to submit to arbitration is not enforceable under this section to the extent the agreement is not enforceable under the Federal Arbitration Act."

In including this provision, California law now expressly incorporates the FAA's statutory exclusions and exceptions into state law. The legislation primarily affects two categories of disputes.

First, the bill adopts the FAA's transportation worker exemption. Federal law excludes certain workers engaged in interstate or foreign commerce—such as some truck drivers, delivery drivers, airline employees, and other transportation workers—from the FAA's mandatory arbitration provisions. Before AB 2155, employers could often argue that even if the FAA did not apply, arbitration could still be compelled under the California Arbitration Act. That alternative avenue will no longer be available after January 1, 2027.

Second, AB 2155 incorporates the Ending Forced Arbitration of Sexual Assault and Sexual Harassment Act into California law. As a result, employers will not be able to rely on the California Arbitration Act to compel arbitration of covered sexual assault or sexual harassment claims when federal law would otherwise permit those claims to proceed in court.

[Questions? Contact Stokes Wagner.](#)

For California employers, the practical takeaway is clear:

- Determine whether their workforce includes employees who may qualify for the transportation-worker exemption;
- Review arbitration provisions addressing sexual assault and sexual harassment claims;
- Confirm that their agreements do not rely on the California Arbitration Act as an alternative basis for compelling arbitration where the FAA does not apply; and
- Work with counsel to revise agreements and onboarding materials as necessary.

While AB 2155 does not eliminate arbitration agreements altogether, it narrows their scope by aligning California law with existing federal limitations. Employers should work with counsel to evaluate their arbitration programs and determine whether revisions are appropriate before the law becomes effective on January 1, 2027.

Stokes Wagner will continue to monitor updates and will provide additional updates as they become available. If you have any questions, do not hesitate to contact a Stokes Wagner attorney.

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