

Understanding Arbitration and Equitable Estoppel: Lessons From *Gonzalez v. Nowhere Beverly Hills LLC*

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Employment arbitration agreements are an important tool for employers who wish to resolve workplace disputes in a more streamline fashion and, more importantly, avoid class and collective actions. However, enforcing arbitration agreements can become challenging and complex, especially when multiple related entities and non-signatories are involved.

A recent case, *Gonzalez v. Nowhere Beverly Hills LLC*, distinguishes the unfavorable ruling in [*Soltero v. Precise Distribution, Inc.*](#), 102 Cal.App.5th 887 (2024), which limited enforcement of employment arbitration agreements by non-signatory alleged employers, and provided valuable insights into how arbitration agreements and the doctrine of equitable estoppel can be favorably applied when non-signatories to an arbitration agreement seek to enforce them.

Factual Summary

Edgar Gonzalez was employed by Nowhere Santa Monica, one of 10 related limited liability companies (LLCs) operating Erewhon markets in Los Angeles, California. During his employment, Gonzalez signed an arbitration agreement, agreeing to resolve any employment-related disputes with “Nowhere Santa Monica, LLC DBA Erewhon-Santa Monica” through arbitration. After his termination, Gonzalez filed a putative class action lawsuit against all 10 Nowhere entities, alleging various violations of the California Labor Code. He alleged that all 10 entities were his joint employers.

The Nowhere entities filed a motion to compel Gonzalez to arbitrate his claims on an individual basis and to dismiss the class allegations. The trial court granted the motion as to Nowhere Santa Monica but denied the motion as to all other nine Nowhere entities because they were not signatories or named in the arbitration agreement. In denying the motion, the trial court rejected Nowhere’s argument that the arbitration agreement is enforceable as to the non-signatory entities under a theory of equitable estoppel. Rather, the court held equitable estoppel did not apply because Gonzalez’s claims against Nowhere Santa Monica were not “intimately founded in and intertwined with” his

claims against the other Nowhere entities.

After the trial court's ruling, Gonzalez then dismissed his complaint against Nowhere Santa Monica to avoid arbitration and dismissal of his class claims. The nine Nowhere non-signatory entities appealed.

Court of Appeal Reverses

On appeal, the Nowhere entities argued they may enforce the agreement under equitable estoppel because Gonzalez's (and the absent class member's) claims against all Nowhere entities depend upon and are intertwined with Nowhere Santa Monica's obligations under the arbitration agreement. The Court of Appeal agreed.

Equitable estoppel is rooted in fairness. It is applied in situations where it would be unfair to allow the opposing party to take inconsistent positions. In *Gonzalez*, the Court of Appeal concluded that the plaintiff could not on the one hand allege that all Nowhere entities were his joint employer and/or responsible for Labor Code violations, while on the other disavow his agreement to arbitrate claims that arose from his employment. The Court of Appeal reasoned that based on the plaintiff's allegations, liability for the non-Santa Monica Nowhere entities as joint employers is derived solely from their share in Nowhere Santa Monica's legal obligations. "Because Gonzalez agreed to arbitrate his wage and hour claims against Nowhere Santa Monica, and because his theory of liability against the non-Santa Monica entities is that they exercised significant control over Nowhere Santa Monica's employees so as to share its legal obligations, he is equitably estopped from raising the non-Santa Monica entities' nonsignatory status to oppose arbitrating his wage and hour claims against them." In sum, the plaintiff's inconsistent position unfairly deprived the Nowhere entities of the ability to enforce the arbitration agreement.

Notably, the Court of Appeal disagreed with three appellate districts that had come to opposite conclusions on the same issue in *Jarboe*, *Soltero*, and *Hernandez*. The court declined to follow the holdings of these cases and convincingly distinguished its reasoning from these prior decisions.

In *Jarboe*, the court refused to apply equitable estoppel where there was no evidence to prove the relationship between the signatory and non-signatory. In *Gonzalez*, the Court of Appeal determined that the *Jarboe* court erred when it focused its equitable estoppel analysis on the relationship between defendants rather than whether the claims were sufficiently intertwined and improperly shifted the burden of establishing a joint employer relationship from the plaintiff to the employer.

In *Soltero*, the court refused to apply equitable estoppel because the complaint did not mention or rely upon any provision of the arbitration agreement. Thus, it found the claims in the complaint were not founded in and inextricably bound with the obligations of the arbitration agreement. Here, the Court of Appeal held that the *Soltero* court erred when it declined to apply equitable estoppel when a complaint did not reference the underlying arbitration agreement and include a dispute related to the terms of the agreement. In the absence of a dispute arising out of the written agreement, a plaintiff's claims are not sufficiently intertwined with the underlying contractual obligations. The *Gonzalez* court found fault with this reasoning and declined to adopt it.

In *Hernandez*, the court did not allow non-signatories to invoke equitable estoppel where the moving party failed to show it would be inequitable. Significant to the analysis in *Hernandez*, the court did not evaluate the effect of a plaintiff's joint employer allegation because the moving party did not raise the argument. Here, the Court of Appeal noted the Nowhere entities made a substantial showing of

unfairness, especially where the joint employer claims are founded in the legal obligations of an absent party.

Key Takeaways

This case presents a challenge for plaintiffs who wish to bring lawsuits against alleged joint employers and avoid arbitrating with them. It also underscores the importance of clearly defining the scope of the claims and entities covered by arbitration agreements and provides new ammunition for non-signatories to enforce employment arbitration agreements when they are alleged to be a joint employer or legally responsible for claims covered by the agreement.

Employers should regularly review and update their arbitration agreements. *Gonzalez* serves as a good reminder that the rules concerning arbitration agreements are dynamic. Now is a good time to consider updating existing arbitration agreements.

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National Law Review, Volume XIV, Number 355

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