

FILED IN THE
U.S. DISTRICT COURT
EASTERN DISTRICT OF WASHINGTON

Oct 21, 2026

SEAN F. MCAVOY, CLERK

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF WASHINGTON

ARTURO PALACIOS, JR., individually
and on behalf of all similarly situated
individuals pursuant to 29 U.S.C. §
216(b), and on behalf of all others
similarly situated,

Plaintiff,

v.

RDO EQUIPMENT CO.; and DOES 1-
20, inclusive,

Defendants.

No. 1:26-cv-03120-RLP

ORDER GRANTING MOTION TO
COMPEL INDIVIDUAL
ARBITRATION

Before the Court is Defendant RDO Equipment Co.'s Motion to Compel Individual Arbitration and Stay Proceedings, or in the Alternative Motion to Dismiss. A hearing was held by videoconference on October 19, 2026. Mr. Palacios was represented by Matthew Crawford. Cornelia Brandfield-Harvey and David H. Stern appeared for RDO Equipment.

ORDER GRANTING MOTION TO
COMPEL INDIVIDUAL ARBITRATION ~ 1

BACKGROUND

Plaintiff Arturo Palacios worked for Defendant RDO Equipment as a parts specialist from approximately February 2022 through September 2025.

In early 2025, RDO distributed to its employees an Enterprise Employee Handbook through an electronic media platform. *See* ECF 9-1 at 710-822 (Exh. G).¹ Section 106 of the Handbook is entitled “Mediation and Arbitration.” This section provides, in pertinent part:

As a condition of employment at R.D. Offutt Company or any of its subsidiaries or affiliated entities, any controversy or claim arising out of or relating to the employment relationship, or the termination of that relationship, must be submitted for non-binding mediation before a neutral third-party, and (if necessary) for final and binding resolution by a private and impartial arbitrator, to be jointly selected by the team member and the Company in accordance with this dispute resolution procedure (the “Procedure”).

- **Claims Covered:** This agreement to submit to mediation and (if necessary) arbitration:
 - Covers any dispute concerning the ability to arbitrate any such controversy or claim; and
 - Includes, but is not limited to, any claim that could be asserted for which the team member has an alleged cause of action. This includes without limitation claims for breach of any contract or covenant (express or implied); tort claims; claims for discrimination on the basis of race (including traits historically associated with race, such as hair texture or hair styles), color, religion/creed, national origin, ancestry, citizenship status, age physical or mental disability, genetic information, marital status, familial status, sex/gender (including pregnancy, childbirth,

¹ Similar versions had been distributed in previous years, but only the last version is at issue.

breastfeeding, and related medical conditions), gender identity or expression, sexual orientation, veteran and/or military status, membership or activity in a local commission, certain arrest or conviction records, statutory family/medical leaves, status as a victim of domestic violence, sexual offense or stalking, or any other characteristic protected by federal, state, or local law. The Company also prohibits retaliation against a person who engages in activities protected under this policy and/or the law; claims for wrongful discharge; violations of the Family and Medical Leave Act (FMLA); violations of confidentiality or breaches of trade secrets; and/or claims for violation of any federal, state, or other governmental law, statute, regulation, or ordinance, and whether based on statute or common law...

- **Binding Arbitration:** If a covered dispute remains unresolved at the conclusion of the mediation process, either party may submit the dispute for resolution by final binding confidential arbitration under this Procedure.
 - The arbitration will be conducted under the Employment Dispute Resolution Rules of the [American Arbitration Association] AAA or other applicable rules (“Rules”) with the additional proviso that the Procedure shall be conducted on a confidential basis. These rules, incorporated by reference into this Procedure, include (but are not limited to) the procedures for the joint selection of an impartial arbitrator and for the hearing of evidence before the arbitrator. A copy of the complete AAA Employment Dispute Resolution Rules may be obtained from the Human Resources Department. Any conflict between the rules and procedures set forth in the AAA rules and those set forth in this Agreement shall be resolved in favor of those in this Agreement. . . .

This Procedure sets forth the complete agreement of the parties on the subject of mediation and arbitration of the covered claims defined above and supersedes any prior or contemporaneous oral or written understanding on these subjects. All parties understand and agree that by entering into this agreement, they are waiving any right to trial by jury that may be available to that party in any of the above-referenced disputes. No party is relying on any representations, oral or written, on

the subject or the effect, enforceability, or meaning of this Agreement, except as specifically set forth in this Procedure.

ECF 9-1 at 724 (Exh. G, p. 14).

At the bottom of Section 106 is the following dialog box:



I acknowledge that I have reviewed this Arbitration and Mediation Procedure and agree to be bound by its terms.

According to RDO's records, Mr. Palacios electronically signed off on the Employee Handbook, including the dialog box, on February 4, 2025. ECF No. 9-1 at 823-24 (Exh. H). *See also* ECF No. 9-1 at 4, 7-8 (Declaration of Emily Keeling at ¶¶ 10, 19). On August 17, 2026, in connection with the current litigation, Mr. Palacios signed a declaration stating, "To the best of my memory, I did not sign an acknowledgement of receipt of any handbook that explained that by signing I would be giving up my right to bring any legal claims I may have against RDO in court." ECF No. 13-1 (Declaration of Arturo Palacios at ¶ 4).

The Introductory Statement to the 2025 Handbook provides, in pertinent part, as follows:

Other than the Mediation and Arbitration provision (Section 106), which creates contractual obligations between you and R.D. Offutt Company, no provision in this handbook creates a contract between R.D. Offutt Company or any team member, and no provision of this handbook creates any contract for employment. Your employment

1 with R.D. Offutt Company is at-will, meaning that you and R.D.
2 Offutt Company can terminate the employment relationship at any
time, and for any reason, with or without notice.
3 No employee handbook can anticipate every circumstance or
question. As R.D. Offutt Company continues to grow, the need may
4 arise for change. Therefore, R.D. Offutt Company reserves the right to
revise, supplement, or rescind any policies or portion of the handbook
5 from time to time, as deemed appropriate, at its sole and absolute
discretion. . . .

6 ECF No. 9-1 at 715 (Exh. G at 5).

7 In 2026, Mr. Palacios filed a purported class action suit against RDO,
8 alleging work and hour violations under Washington and federal law. *See* ECF No.
9 1. RDO subsequently filed a Motion to Compel Arbitration and Stay Proceedings.
10 ECF No. 9.

11 ANALYSIS

12 Under the Federal Arbitration Act, a party to an arbitration agreement may
13 petition the district court for an order compelling arbitration and staying
14 proceedings pending resolution of arbitration. 9 U.S.C. § 3. When considering a
15 motion to compel, the Court’s role is limited to “whether a valid arbitration
16 agreement exists and, if so, whether the agreement encompasses the dispute at
17 issue.” *Berman v. Freedom Fin. Network, LLC*, 30 F.4th 849, 855 (9th Cir. 2022)
18 (citation omitted). The Court may consider evidence outside the pleadings in
19 making this determination. *See, e.g., Guadagno v. E*Trade Bank*, 592 F.Supp.2d
20 1263, 1266-69 (C.D. Cal. 2008).

1 Mr. Palacios opposes RDO's motion to compel arbitration. First, he argues
2 there is no valid arbitration agreement. Second, he argues that even if there is a
3 valid agreement, it does not encompass the gateway issue of arbitrability. Each
4 issue is addressed in turn.

5 1. The validity of the arbitration agreement

6 "[A]rbitration is a matter of contract." *Rent-A-Center, West, Inc. v. Jackson*,
7 561 U.S. 63, 67, 130 S.Ct. 2772 (2010). State law contract formation principles
8 apply. *Circuit City Stores, Inc. v. Adams*, 279 F.3d 889, 892 (9th Cir. 2002). Under
9 Washington law, an arbitration agreement contained within an employee handbook
10 "is enforceable only if the employee is given explicit notice about such provision."
11 *Burnett v. Pagliacci Pizza, Inc.*, 196 Wn.2d 38, 50 (2020). The Ninth Circuit has
12 recognized the same standard, explaining any agreement to arbitrate set forth in an
13 employee handbook "must at least be express: the choice must be explicitly
14 presented to the employee and the employee must explicitly agree" to arbitration.
15 *Nelson v. Cyprus Bagdad Copper Corp.*, 119 F.3d 756, 762 (9th Cir. 1997). *See*
16 *also Kummetz v. Tech Mold, Inc.*, 152 F.3d 1153, 1155 (9th Cir. 1998).

17 Here, the record shows Mr. Palacios explicitly agreed to arbitration. This is
18 not a case where the arbitration agreement was inconspicuously buried in lengthy
19 text or fine print. *Cf. Berman*, 30 F.4th at 856-57 (finding purported arbitration
20 agreement not reasonably conspicuous when it is written in "font so small that it is

1 barely legible to the naked eye”); *Kummetz*, 152 F.3d at 1155 n.4 (finding
2 purported arbitration agreement not explicit when inconspicuously discussed
3 within the body of a 32-page booklet). Instead, the electronic platform used by
4 RDO called out the arbitration clause in a prominent dialog box and required Mr.
5 Palacios to affirm his acceptance of the clause as part of his agreement to the
6 employee Handbook. This procedure provides sufficient evidence of an explicit
7 agreement. *See Patrick v. Running Warehouse, LLC*, 93 F.4th 468, 477 (9th Cir.
8 2024) (concluding use of a click button can evidence explicit agreement).

9 Mr. Palacios claims he does not remember signing something that would
10 involve giving up his right to bring legal claims against RDO in court. *See* ECF
11 No. 13-1, (Declaration of Arturo Palacios, at ¶ 4). But Mr. Palacios does not
12 dispute the accuracy of RDO’s electronic records. Nor does he deny he clicked on
13 the dialog box. The fact that Mr. Palacios does not remember signing the
14 arbitration agreement does not mean he did not do so. The Court is therefore
15 satisfied Mr. Palacios validly signed the arbitration agreement in 2025 as part of
16 his agreement to continued employment with RDO.

17 Mr. Palacios argues that even if he agreed to arbitrate, that agreement was
18 illusory. Specifically, he claims the Handbook gave RDO the unilateral,
19 unrestricted right to terminate the arbitration agreement, rendering it ineffective.
20 *See, e.g., Dumais v. Am. Golf Corp.*, 299 F.3d 1216, 1219 (10th Cir. 2002) (“We

1 join other circuits in holding that an arbitration agreement allowing one party the
2 unfettered right to alter the arbitration agreement's existence or its scope is
3 illusory").

4 The Court disagrees with Mr. Palacios's characterization of the Handbook.
5 The Handbook specifically states Section 106's Mediation and Arbitration
6 provision creates a contractual obligation between RDO and the employee, unlike
7 other provisions in the Handbook. Thus, while various policy statements in the
8 Handbook maybe unilaterally changed by RDO, the arbitration agreement is
9 binding. Given this circumstance, the agreement to arbitrate was valid and not
10 illusory.

11 2. The scope of the arbitration agreement

12 Mr. Palacios contends that even if he entered into a binding arbitration
13 agreement, the agreement cannot be enforced because it was so one-sided to render
14 it unconscionable. This argument goes to the scope of the parties' arbitration
15 agreement and whether it covers the threshold inquiry of arbitrability. *See Rent-A-*
16 *Center*, 561 U.S. at 68-69. Federal law, not state law, applies to this inquiry.
17 *Brennan v. Opus Bank*, 796 F.3d 1125, 1129 (9th Cir. 2015).

18 Here, the language in Section 106 of the Handbook clearly and unmistakably
19 delegated the threshold question of arbitrability to arbitration. This was
20 accomplished in the first bullet point of Section 106 identifying "claims covered"

1 as including “any dispute concerning the ability to arbitrate.” ECF 9-1 at 724 (Exh.
2 G, p. 14). In addition, Section 106 clearly contemplates that “arbitration will be
3 conducted under the Employment Dispute Resolution Rules of the AAA.” *Id.* This
4 reference to the AAA is sufficient under Ninth Circuit law. *Brennan*, 796 F.3d at
5 1130 (“[I]ncorporation of the AAA rules constitutes clear and unmistakable
6 evidence that contracting parties agreed to arbitrate arbitrability”).

7 Mr. Palacios argues these references to arbitrating arbitrability and
8 incorporation of the AAA are insufficient because he is unsophisticated and should
9 not be held to understand these provisions. The Ninth Circuit has not yet decided
10 whether detailed references explaining the scope of a delegation to arbitration are
11 required in the context of an unsophisticated litigant. *See Patrick*, 93 F.4th at 481.

12 Even assuming the Ninth Circuit would hold that detailed delegations are
13 required in the context of unsophisticated litigants, Mr. Palacios’s arguments still
14 fail. There simply no evidence in the record regarding Mr. Palacios’s
15 “sophistication or lack thereof.” *Id.* The Court will not presume Mr. Palacios is
16 unsophisticated simply based on his job description or pay rate. People of all
17 backgrounds can have familiarity with arbitration and employment agreements.
18 Thus, as was true in *Patrick*, the Court need not decide whether the language used
19 in the Handbook would be insufficient to delegate the task of arbitrability in the
20 context of an unsophisticated participant.

Accordingly, IT IS ORDERED:

1. Defendant RDO Equipment Co.'s Motion to Compel Arbitration, **ECF No. 9**, is **GRANTED**. All issues regarding the scope of arbitration are delegated to the arbitrator.

2. Pursuant to 9 U.S.C. § 3, this matter is **STAYED** pending completion of arbitration.

3. The parties shall file a Joint Status Report within fourteen (14) days after completion of the arbitration, advising the Court of the outcome and proposing any further proceedings that may be necessary.

4. Defendant's alternative Motion to Dismiss is denied as moot.

IT IS SO ORDERED. The District Court Clerk is directed to enter this Order and provide copies to counsel.

DATED October 21, 2026.


REBECCA L. PENNELL
UNITED STATES DISTRICT JUDGE