

# E-Signature Best Practices For Employers After Calif. Ruling

By **Ash Bhargava and Reece Bennett** (October 17, 2024)

In a May 17 decision in *Isabel Garcia v. Stoneledge Furniture LLC*, the Court of Appeal of the State of California, First Appellate District, made a significant ruling concerning authentication of electronic signatures in arbitration agreements. This ruling has implications for California employers who seek to enforce arbitration agreements in the employment context.

## Background

In 2016, Garcia completed an arbitration agreement as part of her employment onboarding process with RAC Acceptance East LLC. The onboarding process was facilitated through the electronic workforce management platform Taleo.

## The Dispute

In 2021, Garcia filed a complaint against her supervisor and RAC, asserting multiple claims related to alleged sexual harassment by the supervisor. RAC petitioned to compel arbitration based on the arbitration agreement. In support of its petition to compel arbitration, RAC submitted a declaration by Jared Dale, a human resources employee.

Dale attested that Garcia had created a unique user ID and password through Taleo, which Garcia used to electronically sign an arbitration agreement mandating arbitration for any disputes related to her employment. Dale's declaration explained that to execute the arbitration agreement, Garcia was required to review the arbitration agreement and acknowledge her mutual consent to the "resolution by arbitration of all claims or controversies ... arising out of or related to my ... employment."

While Garcia did not dispute the legality of the arbitration agreement, she denied that she had executed the arbitration agreement. She argued that Dale's declaration lacked sufficient detail to authenticate the electronic signature, noting that Dale did not witness her electronically sign the agreement and was not present when she completed the onboarding documents.

Besides challenging the insufficiency of Dale's statement, Garcia pointed out that the arbitration agreement lacked identifying information seen in the other documents she electronically signed.

In support of this argument, Garcia provided five documents she had signed electronically, each of which differed from the arbitration agreement in several ways.

First, all five documents displayed "Maria Garcia" under the signature block of each document, while the arbitration agreement displayed Garcia's name as "Maria Isabel Izzy Garcia." Garcia attested that she never used "Izzy" in her electronic or handwritten signature.



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Second, all five documents required Garcia to enter her Taleo password to show her agreement; however, the arbitration agreement did not have any indication that Garcia used her password.

Third, the five documents showed an IP address under the electronic signatures, while the arbitration agreement had no IP address listed. Garcia also claimed that she did not recall being asked to sign an agreement that would waive her right to sue, did not receive a copy of the agreement, and did not receive any information about "what arbitration is or what it means."

### **The Company's Burden to Authenticate the Signature**

Citing its 2021 ruling in *Gamboa v. Northeast Community Clinic*,<sup>[1]</sup> the court reiterated that if a party denies signing an agreement or raises doubts about the authenticity of a signature, the burden shifts to the other party to prove authentication.

Here, the court found that RAC failed to prove the authenticity of Garcia's signature because although Dale's declaration stated that Garcia created a unique user ID and password, Dale failed to demonstrate that only Garcia could have executed the arbitration agreement.

Additionally, RAC could not explain how the name "Maria Isabel Izzy Garcia" was listed on the signature block for the arbitration agreement but did not appear on the other onboarding documents. For these reasons, the court found Dale's declaration did not provide adequate details about the security procedures of the electronic signature process.

Finally, the court emphasized that the arbitration agreement's lack of the date and time of execution, in addition to the lack of an IP address, further undermined the signature's credibility. As a result, the court concluded that there was no enforceable agreement to arbitrate.

### **Takeaways for Employers**

To strengthen the validity of electronically signed documents, such as arbitration agreements, employers should implement measures that demonstrate the intended employee actually signed the agreement.

Such measures could include:

- Sending a link to the employee's personal email for document access;
- Allowing the employee to create a unique username and password, and ensuring the employer cannot access or change these credentials through any means;
- Ensuring the employer does not have access to change the employee's password and that such requests are handled through a third party to change the password if forgotten;

- Confirming managerial employees do not have access to alter prehire documents;
- Requiring the employee to provide written consent to use an electronic signature;
- Tracking the IP address used to access and complete the documents;
- Ensuring the date and the IP address are digitally recorded in the document being signed;
- Sending a confirmation email listing and providing copies of all signed documents both electronically and in-person;
- Having a manager or human resources employee witness the electronic signature(s); and
- Ensuring the procedure to obtain electronic signatures is consistent with respect to all documents.

In the alternative, employers may consider obtaining a wet signature on arbitration agreements and other documents that are likely to be at issue in litigation.

This case underscores the importance for employers to implement additional measures to verify the authenticity of electronically signed documents.

Employers often invest substantial time and resources defending against lawsuits from both current and former employees. Arbitration offers a more efficient and predictable route to resolution, with substantially lower litigation costs when compared to traditional court proceedings.

Therefore, it is in the employer's best interest to ensure their arbitration agreements are fully enforceable to minimize costs and protect their bottom line from unnecessary expenses.

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[1] Gamboa v. Northeast Community Clinic, (2021) 72 Cal.App.5th 158, 165.