NOTE: Where it is feasible, a syllabus (headnote) will be released, as is being done in connection with this case, at the time the opinion is issued. The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States* v. *Detroit Lumber Co.,* 200 U. S. 321, 337.

SUPREME COURT OF THE UNITED STATES

Syllabus

ALLIED-BRUCE TERMINIX COS., INC., ET AL. *v.* DOBSON ET AL.

CERTIORARI TO THE SUPREME COURT OF ALABAMA

No. 93–1001. Argued October 4, 1994—Decided January 18, 1995

The termite prevention contract between petitioner exterminators and respondent Gwin, a homeowner, specified that any controversy thereunder would be settled exclusively by arbitration. After the respondents Dobson, who had purchased Gwin's home, sued in state court following a termite infestation, petitioners asked for, but were denied, a stay to allow for arbitration under the contract and §2 of the Federal Arbitration Act, which makes enforceable a written arbitration provision in ``a contract evidencing a transaction involving commerce.'' The Alabama Supreme Court affirmed on the basis of a state statute invalidating predispute arbitration agreements, ruling that the federal Act applies only if, at the time the parties entered into the contract and accepted the arbitration clause, they ``contemplated'' substantial interstate activity. Despite some such activities, the court found that these parties ``contemplated'' a transaction that was primarily local and not ``substantially'' interstate.

Held: Section 2's interstate commerce language should be read broadly to extend the Act's reach to the limits of Congress' Commerce Clause power. The use of the words ``evidencing'' and ``involving'' does not restrict the Act's application and thereby allow a State to apply its antiarbitration law or policy. Pp. 4–16.

(a) The legal background demonstrates that the Act has the basic purpose of overcoming judicial hostility to arbitration agreements and applies in both federal diversity cases and state courts, where it pre-empts state statutes invalidating such agreements. See, *e.g., Southland Corp.* v. *Keating,* 465 U. S. 1, 15–16. It would be inappropriate to overrule *Southland* and

permit Alabama to apply its antiarbitration statute, since the Court in that case considered the basic arguments now raised, and nothing significant changed subsequently; since, in the interim, private parties have likely written contracts relying on *Southland;* and since Congress, both before and after *Southland,* has enacted legislation extending, not retracting, the scope of arbitration. Pp. 4–6.

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(b) The statute's language, background, and structure establish that §2's ``involving commerce'' words are the functional equivalent of the phrase ``affecting commerce,'' which normally signals Congress' intent to exercise its commerce power to the full, see *Russell* v. *United States,* 471 U. S. 858, 859. The linguistic permissibility of this interpretation is demonstrated by dictionary definitions in which ``involve'' and ``affect'' mean the same thing. Moreover, the Act's legislative history, to the extent that it is informative, indicates an expansive congressional intent, and this Court has described the Act's reach expansively as coinciding with that of the Commerce Clause, see, *e.g., Southland, supra,* at 14–15. Finally, a broad interpretation of this language is consistent with the Act's basic purpose, while a narrower interpretation would create a new, unfamiliar test that would unnecessarily complicate the law and breed litigation. For these reasons, the Act's scope can be said to have expanded along with the commerce power over the years, even though the Congress that passed the Act in 1925 might well have thought the Commerce Clause did not stretch as far as has turned out to be so. *Mine Workers* v. *Coronado Coal Co.,* 259 U. S. 344, 410; *Leather Workers* v. *Herkert & Meisel Trunk Co.,* 265 U. S. 457, 470; and *Bernhardt* v. *Polygraphic Co. of America,* 350 U. S. 198, 200–202, distinguished. Pp. 7–11.

(c) Section 2's ``evidencing a transaction'' phrase means that the ``transaction'' (that the contract ``evidences'') must turn out, in fact, to have involved interstate commerce. For several reasons, this ``commerce in fact'' interpretation is more faithful to the statute than the ``contemplation of the parties'' test adopted below and in other courts. First, the latter interpretation, when viewed in terms of the statute's basic purpose, seems anomalous because it invites litigation about what was, or was not, ``contemplated,'' because it too often would turn the validity of an arbitration clause upon the happenstance of whether the parties thought to insert a reference to interstate commerce in their document or to mention it in an initial conversation, and because it fits awkwardly with the rest of §2. Second, the statute's language permits the ``commerce in fact'' interpretation. Although that interpretation concededly leaves little work for the word ``evidencing,'' nothing in the Act's history suggests any other, more limiting, task for the language. Third, the force of the basic practical argument underlying the ``contemplation of the parties'' test, *i.e.,* that encroaching on powers reserved to the States must be avoided, has diminished following this Court's holdings that the Act displaces contrary state law. Finally, despite an *amicus*' claim, it is unclear whether an ``objective''

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version of that test would better protect consumers asked to sign form contracts by businesses. In any event, §2 authorizes States to invalidate an arbitration clause ``upon such grounds as exist at law or in equity for the revocation of any contract,'' and thereby gives them a method for protecting consumers against unwanted arbitration provisions. Pp. 11–16.

(d) The parties do not contest that the transaction in this case, in fact, involved interstate commerce. P. 16.

628 So. 2d 354, reversed and remanded.

BREYER, J., delivered the opinion of the Court, in which REHNQUIST, C. J., and STEVENS, O'CONNOR, KENNEDY, SOUTER, and GINSBURG, JJ., joined. O'CONNOR, J., filed a concurring opinion. SCALIA, J., filed a dissenting opinion. THOMAS, J., filed a dissenting opinion, in which SCALIA, J., joined.