SCOTUS Says Airplane Cargo Loaders Are Exempt from Federal Arbitration Act: Key Employer Takeaways

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An airline can't require a ramp supervisor who alleged that she frequently loaded cargo onto airplanes to arbitrate her claim for overtime pay under the Federal Arbitration Act (FAA), the Supreme Court decided in an 8-0 ruling on June 6. The supervisor filed a proposed class-action lawsuit in court – even though she signed an agreement to individually arbitrate wage-related claims – and the airline sought to enforce the arbitration agreement. The FAA generally allows employers to enforce reasonably drafted agreements to arbitrate such claims, but the Act does not apply to certain workers who are engaged in interstate commerce—i.e., workers who are directly involved in transporting goods across state or international borders.

In this case, the supervisor worked at only one airport, but the SCOTUS found that her job directly involved transporting goods across state or international borders. Therefore, she could not be compelled under the FAA to resolve her dispute in arbitration. But there's some good news for employers seeking to enforce arbitration agreements. The Court declined to broadly hold that all airline employees fall under the exception for transportation workers, and instead, limited its ruling to workers who "frequently load and unload cargo on and off airplanes that travel in interstate commerce." What do you need to know about the ruling?

Court Provides Clarity on Scope of FAA Exception

The FAA, which was enacted in 1925, broadly encourages private dispute resolution through arbitration, but it does not apply to "contracts of employment of seamen, railroad employees, or any other class of workers engaged in foreign or interstate commerce."

The dispute in *Southwest Airlines Co. v. Saxon* focused on whether an airport ramp supervisor who alleged that she frequently loaded and unloaded airplane cargo was "engaged in foreign or interstate commerce" and therefore excluded from coverage under the FAA.

Why does it matter? The supervisor signed an agreement to resolve wage disputes individually through arbitration, but she sought to bring a proposed class action in court. She argued that all airline employees should be excluded from FAA coverage because the air-transportation industry is engaged in interstate commerce. "That larger class of employees potentially includes everyone from cargo loaders to shift schedulers to those who design Southwest's website," the Court noted. But the

justices rejected this broad interpretation.

Southwest argued for a narrow reading of the FAA's exception to apply only to workers who "physically move goods or people across foreign or international boundaries—pilots, ship crews, locomotive engineers, and the like." Under the airline's interpretation, employers could enforce arbitration agreements with cargo loaders because they don't physically accompany freight across state or international boundaries. But the justices rejected this reading, too.

The SCOTUS agreed with Southwest that it should look to the day-to-day work that the employee actually performs rather than what the airline does generally. However, the justices went on to find that the supervisor "belongs to a class of workers who physically load and unload cargo on and off airplanes on a frequent basis" and that "airplane cargo loaders plainly do perform activities within the flow of interstate commerce when they handle goods traveling in interstate and foreign commerce, either to load them for air travel or to unload them when they arrive." Therefore, the court ultimately ruled that the supervisor was exempt from the FAA's scope.

You should note that the decision was limited to the specific facts about the ramp supervisor's job duties. "We recognize that the answer will not always be so plain when the class of workers carries out duties further removed from the channels of interstate commerce or the actual crossing of borders," Justice Clarence Thomas wrote in a footnote.

For example, the court did not address whether the FAA exception applies to an employee who supervises airplane cargo loaders but does not "physically load and unload cargo on and off airplanes on a frequent basis."

Southwest said in a statement that it "greatly appreciates the Supreme Court agreeing to hear its appeal and the clarity provided by the court's decision." The airline believes "the impact of this decision on the applicability of Southwest's alternative dispute resolution policy overall will be minimal," according to the statement. "Southwest's arbitration program is only applicable to certain employment-related legal claims asserted by non-union employees. Because non-union employees rarely handle cargo on a regular basis, Southwest will continue to rely on the Federal Arbitration Act to enforce its arbitration program in the future."

Review Your Arbitration Agreements

Employers generally view arbitration as faster and less expensive than defending a lawsuit in court. Although the SCOTUS narrowly ruled in favor of the employee in this case, the Court has issued numerous rulings that favor arbitration. Of course, in order to capitalize on these rulings, you need to have valid arbitration agreements in place with well-constructed provisions. While this case involved a wage dispute, you should note that federal and state laws restrict the use of pre-dispute employment arbitration agreements for harassment and related retaliation claims. If you haven't had an attorney review your existing agreements to ensure they align with federal, state, and local laws, you should do so immediately.

We will continue to monitor developments related to employment arbitration agreements and provide updates as warranted, so make sure you subscribe to Fisher Phillips' Insight system to get the most up-to-date information. If you have questions, contact your Fisher Phillips attorney or the author of this Insight.

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