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US Supreme Court Unanimously Rules in Favor of Workers, Holding Trucking Company's Arbitration Agreement Exempt From Federal Arbitration Act

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On January 15, 2019, the United States Supreme Court held in *New Prime Inc. v. Oliveira* that a trucking company could not compel its drivers, which it classified as independent contractors, to arbitrate their wage and hour claims against the company because Congress intended to exempt all interstate transportation workers from the Federal Arbitration Act ("FAA"). Section 1 of the FAA exempts "contracts of employment of seamen, railroad employees, or any other class of workers engaged in foreign or interstate commerce" from arbitration. In *New Prime*, the Court examined two issues: (1) whether the application of the Section 1 exemption is an issue for courts or an arbitrator to decide, even if the parties have agreed that issues of arbitrability are to be decided by the arbitrator; and (2) whether the "contracts of employment" language in Section 1 of the FAA applies to agreements only involving employees, or if it also applies to transportation workers classified as independent contractors.

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On the first issue, the Court affirmed the lower court's ruling that a court should decide for itself whether Section 1's "contracts of employment" exclusion applies before ordering arbitration, even if the agreement delegates that determination to the arbitrator. On the second issue, the Court interpreted the "contract of employment" language based on what the ordinary meaning of those words were when Congress enacted the statute in 1925. In so doing, it concluded that back then, the term "employment" was synonymous with "work," and thus Congress intended for the Section 1 exemption to apply to any person working in the interstate transportation industry. Therefore, the Court held that the FAA's exclusion for interstate transportation workers applies to all such workers, regardless of their classification as an employee or independent contractor.

The Court's ruling in *New Prime* was unanimous, authored by Justice Gorsuch, with only Justice Ginsberg writing a separate concurring opinion (Justice Kavanaugh took no part in the consideration or decision). The ruling is noteworthy particularly because the Court, with a conservative majority, chose to interpret the FAA in a way that expands worker's rights. Practically speaking, the decision will undoubtedly have a broad and sweeping impact on the interstate transportation industry given that it relies heavily on the independent contractor framework.

With the Court's decision in *New Prime* and its decision on January 8, 2019 in *Henry Schein v. Archer & White Sales, Inc.* (which we blogged about here), only one arbitration-related case remains for decision from the October 2018 term. That case – *Lamps Plus, Inc. v. Varela*, No. 17-988 (argued Oct. 29, 2018) – discussed in our prior post here, will resolve whether the FAA prevents a state-law interpretation of an arbitration agreement that would allow class arbitration based only on general, commonly- used language in arbitration agreements and not on express contract language. We'll let you know when that decision issues.

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