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Supreme Court Hands Victory to Workers in Transportation Company's Pursuit of Arbitration

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In a unanimous decision, the U.S. Supreme Court on January 15 dealt a blow to employers in transportation industries, ruling that those workers—including those classified as independent contractors—are exempt from the Federal Arbitration Act (FAA) and cannot be compelled to arbitrate class-action claims.

The plaintiffs in *New Prime Inc. v. Dominic Oliveira*—truck driver apprentices classified as independent contractors—brought a class action, alleging the company failed to pay them at least minimum wage. New Prime argued that the dispute had to be sent to arbitration. The U.S. Court of Appeals for the First Circuit disagreed and the Supreme Court affirmed, finding that the statutory exemption under Section 1 of the FAA for "contracts of employment of seamen, railroad employees, or any other class of workers engaged in interstate commerce" covers both employees and independent contractors.

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In arriving at that decision, the Court, in an opinion written by Justice Neil Gorsuch, applied the "fundamental canon of statutory construction that words generally should be interpreted as taking their ordinary ... meaning ... at the time Congress enacted the statute." Accordingly, the Court examined the meaning of the term "contracts of employment" and what Congress intended when it passed the FAA in 1925. The Court concluded that the use of the term "worker" and not "employee" in Section 1 evidenced congressional intent to capture all sorts of relationships, not just employer-employee.

Of equal importance, although the company argued that an arbitrator—rather than a court—should have resolved this issue pursuant to the arbitration agreement's delegation clause, the Court also ruled that courts must determine the threshold issue of whether a contract is covered by the FAA.

Although a narrow ruling, this decision diverges from recent Supreme Court decisions that consistently enforced mandatory arbitration agreements, including Justice Gorsuch's opinion in *Epic Systems, Inc. v. Lewis*, which upheld the validity of class-action waivers in employment agreements.

In the future, instead of relying on the FAA, transportation companies likely will be forced to look to state statutes to pursue arbitration. In particular, the companies should examine state statutory or decisional law to determine whether a class-action waiver in the arbitration agreement is enforceable. In *AT&T Mobility v. Concepcion*, the Supreme Court held that such waivers are enforceable under the FAA.

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