

# U.S. Supreme Court Issues Important Decision on the Federal Arbitration Act

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On June 6, 2022, the Supreme Court of the United States ruled that airline cargo loaders are exempt from the Federal Arbitration Act (FAA) under the statute's "transportation worker" exemption. In *Southwest Airlines Co. v. Saxon*, the Court reasoned, in a unanimous 8-0 decision, that while not all employees of an airline are exempt from the FAA, ramp employees who load and unload cargo from planes are part of a "class of workers engaged in foreign or interstate commerce" specifically exempted by the act. By rejecting some of the arguments advanced by both the plaintiff and the defendant, the Court's holding is a "mixed bag" for employers.

Latrice Saxon, a ramp supervisor for the airline who frequently loads and unloads baggage, airmail, and commercial cargo on and off airplanes that travel across the country, had brought a putative class action alleging wage and hour violations under the Fair Labor Standards Act of 1938. The airline sought to enforce an arbitration agreement with Saxon that required individualized arbitration for wage disputes pursuant to the FAA. The high court sided with Saxon, ruling her specific job duties place her in a "class of workers" engaged in foreign or interstate commerce who are exempted from the FAA.

However, in reaching the conclusion, the Court rejected Saxon's industry-wide view that *all* airline workers fall into the exemption for "foreign or interstate commerce" similar to "seamen" and "railroad workers." The Court stated that Saxon could not make such a generalization because it would expand the statutory text. Instead, the Court focused on the Saxon's specific job duties, reasoning that employees like Saxon, who physically load and unload cargo off planes traveling in interstate commerce, "are as a practical matter, part of the interstate transportation of goods."

The Court also rejected the airline's arguments that the exemption applies only to workers who physically transport goods or people across state lines (i.e., pilots, ship crews, and train engineers) and that loading cargo is not a close enough connection to interstate commerce to fall under the exemption. The Court further rejected the contention that the FAA's "proarbitration purposes" should weigh against expanding the exemptions.

## Key Takeaways

The Court sided with the employee in finding that her employer could not enforce an arbitration agreement under the FAA to stop her from bringing wage and hour claims in court, breaking with the Court's tendency in recent years to favor arbitration. However, in doing so, the high court rejected the contention that all airline workers are exempt from the FAA and instead used a fact-specific test focused on actual job duties. Employers may want to consider the enforceability of arbitration agreements under the FAA with specific sets of employees by evaluating the actual job duties and connection to interstate commerce. Employers also may want to consider updating their arbitration agreements to provide for the application of a state arbitration law should the FAA not apply, as an agreement that is not enforceable under the FAA may nonetheless be enforceable under state law.

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