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Supreme Court Holds That Airline Cargo Loaders Are Exempt From The Federal Arbitration Act

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Decided June 6, 2022 ***Southwest Airlines Co. v. Saxon*, No. 21-309 Today, the Supreme Court held that a ramp agent supervisor whose work frequently requires her to move baggage and other cargo on and off airplanes is a transportation worker exempt from the Federal Arbitration Act's provisions requiring enforcement of arbitration agreements. Background:** The Federal Arbitration Act, or FAA, generally requires courts to enforce agreements to arbitrate. Section 1 of the FAA exempts from that requirement "contracts of employment of seamen, railroad employees, or any other class of workers engaged in foreign or interstate commerce." 9 U.S.C. § 1. The Supreme Court previously held that § 1's residual clause covering workers engaged in foreign or interstate commerce applies only to "transportation workers." *Circuit City Stores v. Adams*, 532 U.S. 105, 119 (2001).

Latrice Saxon, a ramp-agent supervisor who frequently loads and unloads cargo on and off airplanes, agreed to arbitrate wage disputes against Southwest on an individual basis. After Saxon brought a federal class action against Southwest seeking overtime wages, the airline moved to compel arbitration. Saxon opposed arbitration, arguing that she was a "worker[] engaged in foreign or interstate commerce" and thus was exempt from the FAA. The U.S. Court of Appeals for the Seventh Circuit agreed, holding that ramp agents and their supervisors are transportation workers exempt from the FAA.

Issue: Whether supervisors of airline ramp agents are "workers engaged in foreign or interstate commerce" exempt from the Federal Arbitration Act's provisions requiring enforcement of agreements to arbitrate. **Court's Holding:** A ramp agent supervisor who frequently moves cargo on and off airplanes plays a direct role in the cross-border transportation of goods and therefore is exempt from the Federal Arbitration Act under § 1's residual clause.

> *"We think it . . . plain that airline employees who physically load and unload cargo on and off planes traveling in interstate commerce are, as a practical matter, part of the interstate transportation of goods."*

Justice Thomas, writing for the Court **What It Means:**

- In defining the relevant class of workers, courts must focus on the day-to-day duties of the workers themselves. The Court rejected Saxon's argument that what matters is the customary work of businesses in the broader industry in which the employer operates, explaining that § 1 does not exempt "virtually all employees of major transportation providers."
- The Court reiterated that, to determine whether § 1's exemption applies, the relevant class of workers must be compared to the "seamen" and "railroad employees" whom Congress specifically exempted from the FAA in 1925. The closer a class of workers comes to those groups, the more likely the workers will be deemed exempt from the FAA under § 1's residual clause.

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- The Court expressly declined to decide how the FAA's transportation-worker exemption applies to other industries and classes of workers whose duties are "further removed from the channels of interstate commerce or the actual crossing of borders."
- Employees who may be exempt from the FAA might still be required to arbitrate their claims under state arbitration statutes, many of which require enforcement of arbitration agreements without an exemption for transportation workers.

The Court's opinion is available here.

Gibson Dunn's lawyers are available to assist in addressing any questions you may have regarding developments at the Supreme Court. Please feel free to contact the following practice leaders:

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