

U.S. Supreme Court To Take Up Independent Contractor Arbitration Case

February 27, 2018 | [National Labor Relations Board, Labor And Employment](#)

An important case is on the horizon for those involved in the transportation industry. Yesterday, the Supreme Court agreed to hear the appeal of New Prime, Inc., a transportation company that is asking the Court to overrule the First Circuit and find that an independent contractor's class action claim should be compelled to arbitration. Here is the scenario. A truck driver signed an independent contractor agreement as part of the company's apprentice program – that agreement contained a clause compelling any disputes between the driver and company to arbitration. The driver filed a class action in New York, alleging that the company misclassified drivers as independent contractors and the company's deduction of lease payments on his truck and other costs took his wage below the federal minimum wage during the training program. The company moved to compel this class action to arbitration, invoking the clause in the independent contractor agreement. At issue is the Federal Arbitration Act (FAA), which generally allows for the enforcement of arbitration agreements. However, section one of the FAA contains an exception for interstate transportation workers with "contracts of employment." Like many legal disputes, the company's ability to compel arbitration hinges on the interpretation of this statutory language. The First Circuit ruled that this independent contractor agreement was a "contract of employment," so the dispute could not be compelled to arbitration based on it falling under the FAA exception. At the Supreme Court the company will argue that like many lower court decisions in the past, independent contractor agreements should not be considered "contracts of employment" because that phrase applies only to contracts between employers and employees, not independent contractors. The case is important because of the high prevalence of arbitration agreements in the transportation industry, where companies often use independent contractors. The Supreme Court has said in the past that arbitration is an efficient and effective means of dispute resolution that should be favored. The case will be argued during the court's next term, which starts in October. This isn't the only Supreme Court case pending involving arbitration agreements. The court currently has a consolidated trio of cases [pending](#) involving the NLRB's position on class action waivers in arbitration agreements violating the National Labor Relations Act (NLRA). That decision [was argued](#) in October and has yet to be decided. The numerous employers who rely on arbitration agreements with their employees and independent contractors will want to pay attention to these big decisions as the law on these agreements continues to evolve.

RELATED PRACTICE AREAS

Labor and Employment
Labor Relations
National Labor Relations Board (NLRB)

RELATED TOPICS

contracts of employment
Independent Contractor Agreement
Transportation Industry