U.S. Supreme Court to hear case that tests how owner-operators, carriers settle disputes

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New Prime vs. Oliveira aims to settle who can arbitrate and who is a transportation worker under Federal Arbitration Act.

Labor relations between independent owner-operators and motor carriers faces a big test Wednesday as the Supreme Court hears arguments from a former driver seeking back wages from a Missouri-based company.

The case, New Prime vs. Oliveira, stems from a 2013 dispute between Dominic Oliveira and New Prime, now called Prime. Oliveira came up through New Prime's paid training program, eventually becoming a driver for the company. But Oliveira's employment agreement with New Prime listed him as an "independent contractor."

When Oliveira sued New Prime for back wages from the training program and as a regular driver, New Prime sought arbitration per the employment agreement Oliveira signed. But a lower court refused to order the arbitration.

In doing, the court cited the exemption for transportation workers in the Federal Arbitration Act that says "contracts of employment of seamen, railroad employees, or any other class of workers engaged in foreign or interstate commerce" are exempt from the Act.

A federal appeals affirmed the lower court decision that Oliveira's contract was exempt from arbitration, allowing him to pursue the lengthier and costlier option of litigating in court.

In agreeing to hear the case, the Supreme Court will look at whether courts can even decide when a dispute should go to arbitration under the FAA, and whether Oliveira's contract with New Prime falls within the FAA's exemption.

The First Circuit Court of Appeals, which heard Oliveira's case, has taken a wide interpretation of the FAA saying that any agreement to work is, in effect, an employment contract, even for independent contractors, according to a blog post from transportation law specialist Scopelitis, Garvin, Light, Hanson & Feary.

The implications for employer-employee relations from the hearing has prompted a number of groups to file friend-of-court briefs looking to sway the court's ruling.

The American Trucking Associations said in its filing that allowing a court to decide the applicability of arbitration under the FAA "would effectively nullify the advantages of arbitration in misclassification disputes--i.e. disputes that turn on whether a given owner-operator is properly classified as as an employee or an independent contractor."

The ATA added that including owner-operators in the FAA's exemption "would mean that owner-operators and carriers who agree to arbitrate disputes could never expect those agreement to be enforced under the FAA."

Libertarian think tank Cato Institute argued that the First Circuit's interpretation of the FAA also exempting independent contractors is incorrect as the U.S. Congress "intended no such thing" when it enacted the FAA.

"Language and history both confirm that Congress used the term 'contracts of employment' for a reason and that it meant what it said, targeting employees, not anyone else," Cato said in its brief.

But the Owner-Operator Independent Drivers Association (OOIDA) argues that lease agreements with motor carriers are in effect contracts of employment that should be covered under the FAA's exemption.

Even if the Supreme Court says the FAA's exemption did not originally apply to independent contractors, the OOIDA argues that Congress permitted a "de facto expansion of the FAA exemption, providing owner-operators the right to go to court to resolve disputes with motor carriers."

In their filing with the Court, the International Brotherhood of Teamsters, along with other labor advocates, say New Prime "exercised substantial control" over Oliveira's work schedule, making him essentially an employee, even if the terms of his contract did not expressly say that.

The Court "must follow long-standing common law to consider all incidents of the employment relationship, and not just the terms of the contract," the Teamsters said in their filing with the Court.