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Supreme Court ruling gives truckers a victory and a new weapon in labor war at L.A. ports

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Truck drivers and warehouse workers protest their classification as independent contractors by Los Angeles and Long Beach port trucking companies in October. (Al Seib / Los Angeles Times)

A U.S. Supreme Court ruling clearing the way for drivers to sue trucking companies could have a major impact on the labor battle that has raged for years at Southern California's ports, according to worker advocates.

Trucking firms may not block workers from filing class-action lawsuits, even if they consider them to be independent contractors rather than employees, the court ruled Tuesday.

The unanimous decision came in a case filed by Dominic Oliveira, a long-haul driver for New Prime, a Missouri-based carrier with 5,000 contractors. Oliveira said the company failed to pay him and other workers the legal minimum wage and falsely classified them as contractors rather than employees to avoid labor law rules.

New Prime contended that its drivers could not sue because they had signed contracts agreeing to arbitrate any claims privately, waiving their right to go to court.

The ruling bolsters efforts by the International Brotherhood of Teamsters, which has been fighting trucking companies at the ports of Los Angeles and Long Beach over classification of more than 20,000 drivers as contractors rather than employees. Independent contractors are not subject to statutes covering such issues as minimum wage, overtime, discrimination, sexual harassment, wrongful termination and workplace injuries.

Lawsuits over misclassification have multiplied in recent decades across industries as varied as janitorial services, construction, hospitals and exotic dancing. The fight has expanded to gig economy companies such as Uber, Lyft and Amazon, which have built entire workforces based on contract drivers.

The Supreme Court opinion is “a great victory for all workers in the transportation industry, including employees, legitimate independent contractors, and drivers misclassified as independent contractors who are suffering egregious wage theft,” said Fred Potter, director of the Teamsters Port Division.

The decision “will make it harder for motor carriers and independent owner-operators alike to rely on agreements to resolve their disputes through arbitration,” said a statement released by the American Trucking Assns., an industry trade group. That will raise costs across the supply chain, the group said.

Arbitration agreements, often accompanied by class-action waivers, require workers to resolve disputes with their employers by hiring private arbitrators who conduct proceedings out of the public eye.

Private arbitrators are seen as more likely to rule in favor of businesses. And when workers are barred from joining colleagues in class-action suits, they often are unable to find lawyers to represent them because individual arbitrations do not adequately cover legal fees.

A growing swath of U.S. businesses, seeking protection from workers' lawsuits, has adopted arbitration agreements as a condition of employment. Since the early 2000s, the share of workers employed in private-sector, nonunion jobs subject to mandatory arbitration has more than doubled to about 55%, according to the Economic Policy Institute, a Washington-based think tank. The agreements cover some 60 million workers.

In the last decade, the Supreme Court has ruled in favor of businesses in more than a dozen arbitration cases. But in the Oliveira case it found that the 1926 Federal Arbitration Act clearly carved out an exception for "workers engaged in foreign or interstate commerce." The exception was written into the law because Congress had enacted a different path for transportation worker disputes at the time.

Despite New Prime's suggestion that the court "establish a favorable federal policy toward arbitration agreements" in the case, Justice Neil M. Gorsuch wrote, "Courts ... are not free to pave over bumpy statutory texts in the name of more expeditiously advancing a policy goal."

Some 3.5 million drivers work for 1.5 million interstate carriers in the U.S., according to the American Trucking Assns. Unionized drivers, such as the 250,000 UPS workers represented by the Teamsters, are classified as employees and cannot be subjected to mandatory arbitration.

What is yet to be determined is whether the ruling has a much broader impact — specifically, whether it will influence pending federal class-action lawsuits against Amazon, Grubhub, Doordash, Postmates and other app-based platforms that classify drivers as independent contractors. The companies are fighting wage-theft claims by requiring workers to sign arbitration agreements.

"This decision will help many workers pursue their claims in court — including class claims — instead of being forced to submit to individual arbitration," said Boston attorney Shannon Liss-Riordan, who has filed claims on behalf of thousands of gig economy workers.

A few hours after the Supreme Court issued its opinion, Liss-Riordan filed a motion in U.S. District Court in Seattle arguing that the decision justified lifting a stay in a lawsuit against Amazon Logistics. “We need to show the courts that the transportation workers who drive for these companies deliver goods in interstate commerce,” she said.

But Richard Reibstein, a New York attorney who specializes in defending companies in misclassification suits, said the Supreme Court decision only applies to federal arbitration law, since state arbitration laws generally do not include an exception for transportation workers.

“An argument can be made that this decision will have little or no effect on the right of employers to compel arbitration of any worker’s dispute,” he said. “Those who suggest that this decision is momentous ... may wish to reconsider their exuberance.”

Nonetheless, the National Employment Law Project, a Washington nonprofit that has studied the trucking industry, hailed the decision as “a rare forced arbitration win” after earlier Supreme Court decisions had limited workers’ ability to take their claims to court.

“This unanimous decision recognizes the reality of exploitation in the trucking industry today,” said NELP attorney Ceilidh Gao. “Drivers like Mr. Oliveira often work long hours only to find that their paycheck at the end of the week — after a slew of company deductions — is well below minimum wage, or even negative, meaning they owe the company money.”

The court’s decision came days after 24 port truck drivers who delivered goods to the ports of Los Angeles and Long Beach were awarded $6 million in back pay and penalties by the California labor commissioner. The commissioner found that National Freight Industries, one of the largest U.S. logistics companies, misclassified the drivers as contractors and failed to pay their legal wages.

Since 2011, nearly 1,000 drivers at the twin ports have filed complaints with the California labor commissioner against trucking companies, alleging workplace violations. A new California law, Senate Bill 1402, makes retailers jointly liable for wage

violations when they hire a company that fails to pay fines. Under the law, the commissioner must publish a monthly list of violators.

The Legislature is also likely to consider a bill this year to codify a California Supreme Court decision in a case brought by a driver for Dynamex Operations West Inc., a package delivery company. The decision makes it more difficult for companies to classify workers as contractors.