

CASE NOTE: *SOUTHWEST AIRLINES CO. V. SAXON*

By: Lydia Weaver*

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* Lydia Weaver is a 2L at Loyola University New Orleans College of Law and a member of the Maritime Law Journal

I. INTRODUCTION

In the United States, overtime wages are defined and enforced by the Fair Labor Standards Act (FLSA). However, the Federal Arbitration Act (FAA) can make it extremely difficult, or even impossible, for an employee to file an actionable claim against his or her employer if the employee has worked overtime hours without proper compensation. After an employee has signed an employment contract that includes an arbitration agreement, an employer can force the employee to settle all wage disputes privately without litigation. While there are some exceptions to the FAA, the language of the provision is complex and dated. The defendant in *Southwest Airlines Co. v. Saxon* challenged the interpretation of the provision exempting select employees from the confines of the FAA and sought the opportunity to try her class action lawsuit for lost overtime wages in court.

Part Two of this note evaluates the facts and holding of *Southwest Airlines Co. v. Saxon*. Part Three evaluates the statutes at issue and methods the lower courts used to reach their holdings prior to the Supreme Court's opinion. Subsequently, Part Four reviews the United States Supreme Court decision in the *Saxon* case. Part Five analyzes the *Saxon* Court's opinion and discusses how the court could have strengthened its presentation of the facts. Finally, Part Six concludes with final remarks regarding the outcome of this case.

II. PART TWO: FACTS AND HOLDING

The court in *Southwest Airlines Co. v. Saxon*¹ considered whether a ramp supervisor for Southwest Airlines was entitled to compensation for improper overtime wages under the Fair Labor Standards Act of 1938, 52 Stat. 1060 (FLSA)², because she belonged to a “class of workers engaged in foreign or interstate commerce” that is exempted from the Federal Arbitration Act (FAA).³ Ms. Saxon, the defendant, was an employee of the plaintiff, Southwest Airlines, a company that transported more than 256 million pounds of passenger, commercial, and mail cargo to domestic and international destinations in 2019.⁴ The defendant worked as a ramp supervisor at Chicago Midway International Airport, where she not only trained and supervised teams of ramp agents who physically load and unload cargo on and off airplanes but frequently handled cargo herself, alongside the ramp agents.⁵

The *Saxon* case arose after the defendant realized she and other ramp supervisors were being under-compensated for overtime wages.⁶ Despite her agreement to arbitrate wage disputes individually in her employment contract, the defendant filed a putative class action lawsuit against Southwest under the FLSA.⁷ In response, Southwest tried to enforce its arbitration agreement

¹ *Southwest Airlines Co. v. Saxon*, 142 S. Ct. 1783 (2022).

² 29 U.S.C.A. § 201 *et seq.* The FLSA establishes and regulates minimum wage, overtime pay, employer recordkeeping, and child labor standards and restrictions. The FLSA applies to both the private and public sectors.

³ 9 U.S.C.A. § 1 *et seq.* The FAA allows businesses to settle many commercial transactions privately by arbitration. The FAA does not apply to contracts of employment of seamen, railroad employees, or any other class of workers engaged in foreign or interstate commerce.

⁴ *Saxon*, 142 S. Ct. at 1787.

⁵ *Id.*

⁶ *Id.*

⁷ *Id.*

under the FAA and dismiss the lawsuit.⁸ In response to the motion to dismiss, the defendant raised § 1 of the FAA, which provides that the Act is inapplicable to “contracts of employment of seamen, railroad employees, or any other class of workers engaged in foreign or interstate commerce.”⁹ The defendant claimed that ramp supervisors fell into this class of workers engaged in interstate or foreign commerce.¹⁰ Primarily, the parties disagreed on the definition and application of the exemptions outlined in 9 U.S.C.A § 1 including the validity and enforceability of the defendant’s putative class action lawsuit.¹¹

At trial, the District Court ruled in favor of Southwest, holding that only employees involved in the “actual transportation” of goods fell within the FAA’s exemption.¹² Next, the Seventh Circuit Court of Appeals reversed the district court’s decision based on the definition of “commerce” as it was understood when the FAA was enacted in 1925.¹³ The Seventh Circuit held that loading cargo onto a vehicle to be transported between states fell within the original definition of commerce but questioned whether the supervision of cargo loading alone would also be exempted based on the same provision.¹⁴ However, the Seventh Circuit’s decision conflicted with an earlier decision from the Fifth Circuit, so the United States Supreme Court sought to resolve the disagreement.¹⁵

The Supreme Court focused on two major issues in the *Saxon* case: (1) whether the defendant, as a ramp supervisor, fell into a “class of workers” as designated by § 1 of the FAA, and (2) whose duties are consistent with those exempted from the FAA’s coverage.¹⁶ The Court interpreted the language of the FAA provision according to its ordinary, contemporary, and common meaning, not the language in isolation.¹⁷ First, the Court defined the class of workers to which the defendant belonged as a ramp supervisor.¹⁸ Then, it determined whether that class was engaged in foreign or interstate commerce as provided in the FAA.¹⁹ Initially, the defendant argued that because the air transportation industry, as a whole, is engaged in interstate commerce, she falls into the exempted class of workers.²⁰ In contrast, Southwest maintained that the class exemption relies upon the employee’s conduct, not that of the employer.²¹ The Supreme Court, like the Seventh Circuit, rejected the defendant’s broad approach here. Relying on various definitions of “workers” and “engaged”, the Court reasoned that the defendant’s classification is determined by what she did at Southwest, rather than what Southwest does as a company.²² Thus, the Court’s

⁸ *Id.*

⁹ *Saxon*, 142 S. Ct. at 1787.

¹⁰ *Id.*

¹¹ *Id.* at 1788-89.

¹² *Id.* at 1787.

¹³ *Id.*

¹⁴ *Saxon*, 142 S. Ct. at 1788.

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ *Id.*

¹⁹ *Saxon*, 142 S. Ct. at 1788.

²⁰ *Id.*

²¹ *Id.*

²² *Id.*

conclusion aligned more with Southwest's argument. However, this reasoning did not entirely disfavor the defendant.

The Court evaluated the defendant's primary duties as a ramp supervisor to determine her classification under the FAA.²³ Southwest did not contest that the defendant frequently loaded and unloaded cargo, with the defendant claiming she and other ramp supervisors would fill in and act as ramp agents for up to three shifts per week.²⁴ The Court recognized the defendant's undisputed claim here and accepted that the defendant belonged to a class of workers who frequently loaded and unloaded cargo on and off airplanes.²⁵

Next, the Court determined that the FAA intended to exempt transportation workers, rather than all employees by defining the remainder of the provision in question.²⁶ Specifically, the Court stated that transportation workers are employees who actively engage in the transportation of goods across borders via channels of foreign or interstate commerce.²⁷ The Court reasoned that cargo loaders exhibit the characteristics of transportation workers because they are intimately involved with the commerce of the cargo they load onto a plane bound for interstate transport.²⁸ While the Court went on to refute other futile arguments by both parties, the Court concluded in agreement with the judgment of the Seventh Circuit Court of Appeals.²⁹ Ultimately, the Court found that the defendant belonged to a class of workers engaged in foreign or interstate commerce subject to the FAA's exemption.³⁰

III. PART THREE: BACKGROUND

The *Saxon* case arose from a putative class action lawsuit regarding improper overtime wages under the FLSA.³¹ The case was first heard on the District Court level by the United States District Court for the Northern District of Illinois.³² The District Court held that before the case could be evaluated on the merits, the Court must first determine the threshold issue of whether to dismiss the case because of the employer's arbitration clause.³³ The defendant conceded that she signed the arbitration agreement within her employment contract, however, she argued that she was exempt from the enforcement of the FAA according to the class of workers specified in § 1 of the FAA.³⁴

The District Court used a narrow interpretation of the FAA exceptions, a method supported by cited case law.³⁵ Although the District Court noted a recent interpretation of FAA exceptions by the United States Supreme Court in *New Prime Inc. v. Oliviera*, the Supreme Court failed to

²³ *Id.*

²⁴ *Saxon*, 142 S. Ct. at 1788.

²⁵ *Id.* at 1789.

²⁶ *Id.* at 1790.

²⁷ *Id.*

²⁸ *Id.*

²⁹ *Saxon*, 142 S. Ct. at 1790.

³⁰ *Id.* at 1793.

³¹ *Saxon v. Sw. Airlines Co.*, No. 19-CV-0403, 2019 WL 4958247, at *1 (N.D. Ill. Oct. 8, 2019).

³² *Id.*

³³ *Id.*

³⁴ *Id.* at *2.

³⁵ *Id.* at *3.

define “transportation worker” within that opinion.³⁶ The lack of an explanation left the District Court to turn to case law. The Court determined that the defendant should be subject to her arbitration agreement with Southwest and is not exempt from the FAA by § 1.³⁷ The District Court judge granted Southwest’s motion to dismiss the case based on improper venue, enforcing Southwest’s arbitration clause included in the defendant’s employment contract.³⁸

The defendant then appealed the case to the United States Court of Appeals for the Seventh Circuit.³⁹ The Appellate Court compared the framework of *Saxon* to that of a recent case, *Wallace v. Grubhub Holdings, Inc.*, in which the court found that the defendant was exempt from the FAA based on his belonging to the class of workers engaged in foreign or interstate commerce.⁴⁰ The appellate court relied on an ordinary interpretation of the FAA provision to discern its meaning at the time Congress enacted the statute.⁴¹ In its analysis, the appellate court focused on the broader occupation rather than the individual worker in its evaluation of the FAA exemption.⁴² Afterward, the court assessed whether the defendant’s job at Southwest fit within the broader interpretation that was a part of that class of workers.⁴³

The Appellate Court found that cargo loaders generally are a class of workers engaged in the actual transportation of goods.⁴⁴ Further, the court reasoned that ramp supervisors who also load and unload cargo in the manner the defendant alleges, are considered cargo loaders and, thus, fall within the class of workers exempted by § 1.⁴⁵ Finally, the Court of Appeals reversed and remanded the case to clarify whether the defendant, as a ramp supervisor who alleged she frequently acted as a ramp agent, was exempt from FAA enforcement based on § 1.⁴⁶

Lastly, the United States Supreme Court granted certiorari to resolve the disagreement of the lower courts.⁴⁷

IV. PART FOUR: THE COURT’S DECISION

The United States Supreme Court concurred with the holding from the Seventh Circuit Court of Appeals and agreed that the defendant’s responsibilities as a ramp supervisor adequately fell within the FAA’s exemption because she belonged to a class of workers engaged in foreign or interstate commerce.⁴⁸ Both the Seventh Circuit Court of Appeals and the Supreme Court agreed that:

‘the act of loading cargo onto a vehicle to be transported interstate is itself commerce, as that term was understood at the time of the FAA’s enactment in 1925’... [the defendant] belongs

³⁶ 2019 WL 4958247 at *3 (citing *New Prime Inc. v. Oliviera*, 139 S. Ct. 532, 539 (2019)).

³⁷ *Id.* at *7.

³⁸ *Id.* at *8.

³⁹ *Saxon v. Sw. Airlines Co.*, 993 F.3d 492, 494 (7th Cir. 2021).

⁴⁰ *Id.* at 495 (citing *Wallace v. Grubhub Holdings, Inc.*, 970 F.3d 798, 799-800 (7th Cir. 2020)).

⁴¹ *Id.*

⁴² *Id.*

⁴³ *Id.* at 495-496.

⁴⁴ *Saxon v. Sw. Airlines Co.*, 993 F.3d at 498

⁴⁵ *Id.* at 499.

⁴⁶ *Id.* at 503.

⁴⁷ *Saxon*, 142 S. Ct. at 1788.

⁴⁸ *Id.* at 1793.

to a ‘class of workers engaged in foreign or interstate commerce to which § 1’s exemption applies.’⁴⁹

The Supreme Court also rejected the defendant’s industry-wide approach, noting that because she worked for an industry and company that generally engaged in foreign or interstate commerce, that she was engaging in that commerce by association.⁵⁰

The Court reached its conclusion in favor of the defendant by analyzing in great detail the language and context of the defendant’s role at Southwest and 9 U.S.C.A. § 1.⁵¹ First, the Court interpreted § 1’s language according to its ordinary, contemporary, common meaning to determine who was included within the “class of workers” specified in the provision.⁵² Further, to discern this ordinary meaning, the Court read and interpreted each word or phrase in its context.⁵³

Second, the Court relied on two well-settled canons of statutory interpretation to conclude that the § 1 exemption applies only to contracts involving transportation workers and not all employment contracts.⁵⁴ The first of these was the meaningful-variation canon, which states that when two materially different terms are used in the same document, those terms are presumed to denote different ideas.⁵⁵ The second canon of interpretation the Court applied was the canon of *ejusdem generis*, which instructs courts to interpret a general or collective term and the end of a list of items in light of any common attribute(s) shared among previous items.⁵⁶ The Court used both of these canons to conclude that § 1 of the FAA exempted contracts with transportation workers alone, rather than all employees.⁵⁷ The Court then provided two incomplete definitions for “transportation worker,” stating that a transportation worker must (1) at least play a direct and necessary role in the free flow of goods, or (2) be actively engaged in the transportation of those goods across borders via the channels of foreign or interstate commerce.⁵⁸

In its analysis of whether the defendant was a transportation worker for purposes of the §1 exemption, the Court addressed whether she was actively engaged in the transportation of cargo. Moreover, the Court concluded that the defendant’s actions as a ramp supervisor were within the scope of the FAA exemption provision because the defendant physically loaded and unloaded cargo about three times a week when she would fill in for ramp agents. Therefore, a worker’s actions satisfy the “engagement in foreign or interstate commerce” requirement of FAA § 1 when an employee is engaged in the physical loading and unloading of goods on and off of an airplane bound for a foreign or interstate destination on a frequent basis.⁵⁹

⁴⁹ *Id.*

⁵⁰ *Id.* at 1788.

⁵¹ *Saxon*, 142 S. Ct. at 1788.

⁵² *Id.*

⁵³ *Id.*

⁵⁴ *Id.* at 1789.

⁵⁵ *Id.*

⁵⁶ *Saxon*, 142 S. Ct. at 1789.

⁵⁷ *Id.* at 1790.

⁵⁸ *Id.*

⁵⁹ *Id.*

Southwest argued that the ruling in the defendant's favor did not align with the statutory purpose of the FAA's exemption provision.⁶⁰ In response, the Court rejected the Plaintiff's argument, claiming it relied on statutory purpose in its interpretation because the purpose was readily apparent from the FAA's text.⁶¹ The Court recognized its inability to prioritize the expeditious advancement of a policy goal by paving over complex statutory text.⁶² In this instance, the Court felt it best to use a common interpretation of § 1, in which the plain text sufficed to show that airplane cargo loaders are exempt from the FAA's scope.⁶³

The Court recognized that the defendant frequently loaded and unloaded cargo on and off airplanes that engaged in interstate commerce.⁶⁴ The Court held that the defendant belonged to a class of workers engaged in foreign or interstate commerce to which the § 1 FAA exemption applies.⁶⁵ Overall, the Supreme Court affirmed the decision of the Seventh Circuit Court of Appeals and ruled in favor of the defendant.⁶⁶ In each step of the decision, the Court relied on the established methods of interpretation and used the reasoning of the lower courts to reach their final conclusion.⁶⁷

V. PART FIVE: ANALYSIS

The Supreme Court reached the correct decision in the *Saxon* case by affirming the decision of the Seventh Circuit Court of Appeals. However, there are a few changes to the opinion that would have strengthened its impact on readers.

First, having a strong, consistent test for determining whether a particular employee is exempt from the FAA under § 1 would greatly benefit future district and appellate courts for interpreting the doctrines in similar cases. The conflicting rulings from lower courts in *Saxon* emphasize the need for a specific test when faced with cases considering whether or not an FAA exemption applies to an employee. Further, a concise, factor-based test would discourage confusion in lower courts as to how to interpret similar fact patterns.

Second, several courts disagreed on how to interpret the FAA's exemption provision in today's context, as it was published in 1925. Its examples of seamen and railway workers proved misleading to courts as they struggled to compare the roles of those workers to employees in the air transportation industry today. A modern revision of the law, or at least a case law-recognized definition of § 1 would certainly aid lower courts from making inconsistent decisions in similar cases.

Next, the Supreme Court opinion in *Saxon* would be strengthened by shortening the third section, in which the Court recognized and refuted other, alternative arguments from both parties after concluding in part two that the defendant fell within the FAA-exempt class of workers. This lengthy discussion proved to distract after a heavy analysis of language interpretation. The Court continued in part three to dispute the defendant's overly broad argument of her definition of the

⁶⁰ *Id.* 1792.

⁶¹ *Saxon*, 142 S. Ct. at 1792 (citing *AT&T Mobility LLC v. Concepcion*, 131 S. Ct. 1740 (2011)).

⁶² *Id.* (citing *New Prime Inc. v. Oliveira*, 139 S. Ct. 532, 543 (2019)).

⁶³ *Id.* at 1792-93.

⁶⁴ *Id.* at 1793.

⁶⁵ *Id.*

⁶⁶ *Saxon*, 142 S. Ct. at 1793.

⁶⁷ *Id.* at 1787-93.

exempted “class of workers,” but for the sake of relevance and conciseness, the Court could have avoided dwelling on the matter and ruled only on the primary issue of the defendant’s position in particular. This edit would allow the Court’s ruling to stand out rather than get further lost in an overly broad analysis.

Finally, the fact section of this opinion could have clarified the defendant’s primary duties. The Court’s analysis of the opinion mentions the number of times per week the defendant acted as a ramp agent by loading and unloading cargo on and off airplanes. This fact was vital to determining the frequency with which the defendant herself engaged in the physical transportation of goods rather than simply supervising ramp agents. If this fact was mentioned and emphasized earlier in the opinion, readers would have more clarity going into the analysis of the opinion.

VI. PART SIX: CONCLUSION

Overall, the Supreme Court reached the correct conclusion in *Saxon*. Although the defendant’s argument was flawed and overbroad at times, her job responsibilities as a ramp supervisor undoubtedly fell within the Court’s definition of the FAA’s exemption. However, this opinion would carry stronger precedent without the lengthy discussion of flawed arguments from both parties in the third part of the opinion after it appears the Court had reached its conclusion. The FLSA and FAA ensure a fair corporate dispute resolution structure for business entities and employees alike. A modern understanding of FAA’s exemptions and clear tests relating to the provision’s application today would promote the proper interpretation of these statutes and would allow more employees the opportunity to receive just compensation in court if they too are an employee subject to the FAA exemption.