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Seventh Circuit Reads FAA § 1 Exemption In Line With Statutory Text And Context

(Wallace v. Grubhub)

“The Seventh Circuit correctly understood that section 1 covers only those workers who directly partake in the process of moving goods across borders.”

—Corbin K. Barthold, WLF Senior Litigation Counsel

WASHINGTON, DC—On August 4, the Seventh Circuit affirmed two district court decisions that read section 1 of the Federal Arbitration Act, known as the “transportation worker exemption,” in line with its text and context. WLF filed an *amicus* brief urging this affirmance. The case is *Wallace v. Grubhub*, Nos. 19-1564, 19-2156.

The FAA establishes a federal policy favoring arbitration. It requires, in section 2, that most people comply with their arbitration agreements. It contains a discrete exception, in section 1, for “seamen, railroad employees, or any other class of workers engaged in foreign or interstate commerce.” The district courts ruled that drivers who deliver meals locally for Grubhub fall outside this exemption. The Seventh Circuit agreed, writing: “To show that they fall within th[e] exception, the plaintiffs had to demonstrate that the interstate movement of goods is a central part of the job description of the class of workers to which they belong. They did not even try to do that.”

In its brief, WLF explained that section 1 is not the product of a legislative intent to excuse a few transportation workers—and, for some peculiar reason, them alone—from honoring arbitration agreements. Section 1 exists, rather, because Congress expected shipping-industry workers to engage in arbitration governed by *other* federal laws. And because section 1 fulfills this one focused purpose, there is no principled way to stretch its application. Although some judge-made tests purport to expand the exception beyond national and international transportation of goods, these contrived standards defy statutory text and context, produce inconsistent results, and serve no end set forth by Congress.

Celebrating its 43rd year, WLF is America’s premier public-interest law firm and policy center advocating for free-market principles, limited government, individual liberty, and the rule of law.

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