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BLOGS

Arbitration

United States Supreme Court Expands Worker Exemption in Federal Arbitration Act

The United States Supreme Court recently determined that an exemption to the Federal Arbitration Act excluding workers engaged in foreign or interstate commerce from coverage under the Act includes a transportation worker employed by a company outside of the transportation industry. *Bissonnette v. LePage Bakeries Park St., LLC*, 601 U.S. 246 (2024).

The United States Supreme Court recently determined that an exemption to the Federal Arbitration Act excluding workers engaged in foreign or interstate commerce from coverage under the Act includes a transportation worker employed by a company outside of the transportation industry. *Bissonnette v. LePage Bakeries Park St., LLC*, 601 U.S. 246 (2024). Two franchisees purchased the rights to distribute baked goods produced by Flowers Foods, Inc. pursuant to distributor agreements. The distributor agreements incorporated separate arbitration agreements which required that any claim, dispute, or controversy between the parties be arbitrated under the Federal Arbitration Act. The franchisees sued Flowers Foods for violations of state and federal wage laws, and Flowers Foods moved to compel arbitration. The franchisees claimed that they were exempt from the Federal Arbitration Act because they are workers engaged in interstate commerce. The district court disagreed and compelled arbitration. The Second Circuit affirmed on the grounds that franchisees were not workers in the transportation industry.

The Supreme Court has long held that this exemption in section 1 of the Act includes only transportation workers who were employed by an entity in the transportation industry, but more recently, the Court has interpreted the exemption to require a determination of whether the worker—and not the employer—is engaged in interstate commerce. Applying this recent shift in reasoning, the Supreme Court rejected the Second Circuit’s determination that the franchisees did not fall within the exemption because they were workers in the bakery industry and not the transportation industry. The Supreme Court concluded that the exemption for workers engaged in foreign or interstate commerce from coverage under the Act is not limited to workers in the transportation industry, but remains limited to workers who are actively engaged in transportation of goods across borders.

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