UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

Boeing Co. v. International Union, United Automobile, Aerospace & Agricultural Implement Workers of America (UAW)

615 F.3d 754 (7th Cir. 2010) · No. No. 09-3542 · Decided March 18, 2010

SUMMARY

The Seventh Circuit affirmed an arbitration award arising from Boeing's sale of manufacturing facilities and its treatment of UAW-represented employees' pension and health benefits. The court held that the arbitrator could award damages measured by the ERISA benefits lost because of Boeing's breach of the collective bargaining agreement, notwithstanding the plan administrator's authority to decide benefit claims.

CASE DETAILS

COURT	United States Court of Appeals for the Seventh Circuit
WRITING FOR THE COURT	Richard A. Posner; William J. Bauer; Diane P. Sykes
JURISDICTION	Federal
DECIDED	March 18, 2010
DOCKET	No. 09-3542
DISPOSITION	affirmed
PROCEDURAL POSTURE	Boeing appealed the district court's denial of its challenge to an arbitration award issued in favor of the UAW.
STANDARD OF REVIEW	The court reviewed Boeing's challenge to the arbitration award under the limited judicial review applicable to arbitration awards under the Federal Arbitration Act.
PRECEDENTIAL VALUE	published precedential opinion
PARTIES	Boeing Company v. International Union of United Automobile, Aerospace and Agricultural Implement Workers of America (UAW), et al.

TOPICS

employment arbitration · erisa · collective bargaining · employee benefits · remedies

PRACTICE AREAS

labor law | employment law | employee benefits | employment arbitration | contracts

QUESTIONS PRESENTED

1. Whether the arbitrator exceeded his authority by ordering Boeing to provide pension and health benefits as a remedy for violating the collective bargaining agreement.
2. Whether ERISA barred the arbitrator from awarding contract damages measured by the benefits the employees would have received under Boeing's plans.
3. Whether the UAW was required to challenge Boeing's transfer of plan liabilities through collective bargaining rather than grievance arbitration.

HOLDINGS

1. The arbitrator acted within his authority by ordering a legally enforceable remedy requiring Boeing to provide the benefits to which the employees would have been entitled had Boeing complied with the collective bargaining agreement.
2. ERISA did not bar the arbitrator from awarding damages for breach of the collective bargaining agreement measured by the benefits of which Boeing's breach deprived the employees.
3. The UAW was entitled to pursue its objection to Boeing's treatment of the employees through grievance and arbitration rather than being limited to bargaining over the consequences of the plant sale.

KEY QUOTATIONS

> *"Arbitrators are authorized to order legally enforceable remedies for the violation of contracts that they're called on to enforce."* (Opinion p. 4)

> *"That is the difference between arbitration and mediation."* (Opinion p. 5)

> *"The arbitrator awarded what amount to damages for breach of contract measured by the benefits of which the breach deprived the workers, who were third-party beneficiaries of the collective bargaining contract."* (Opinion p. 7)

FACTUAL BACKGROUND

Boeing's collective bargaining agreement with the UAW provided pension and lifetime health benefits to certain laid-off employees who were at least fifty years old and had ten years of service. After Boeing sold its Oklahoma facilities to Spirit Aerosystems, Boeing treated employees hired by Spirit as terminated by divestiture and denied further Boeing benefit obligations, while treating employees not hired by Spirit as having resigned. The arbitrator concluded that divestiture was not one of the agreement's specified forms of termination and awarded relief designed to provide the affected employees the benefits they would have received absent Boeing's breach.

PROCEDURAL HISTORY

After Boeing sold its Oklahoma facilities and denied former employees certain pension and health-benefit obligations, the UAW filed a grievance alleging a violation of the collective bargaining agreement. Boeing agreed to arbitration, and the arbitrator ruled that the employees retained their entitlement to Boeing benefits and ordered relief requiring them to seek benefits from the plan administrator, with Boeing responsible for any shortfall. The Northern District of Illinois denied Boeing's challenge to the award, and Boeing appealed.

DISPOSITION

affirmed

CASES CITED

- Metropolitan Life Insurance Co. v. Glenn, 128 S. Ct. 2343, 2347-48 (2008)
- Firestone Tire & Rubber Co. v. Bruch, 489 U.S. 101, 110-15 (1989)
- Call v. Ameritech Management Pension Plan, 475 F.3d 816, 822 (7th Cir. 2007)
- Yellow Cab Co. v. Democratic Union Organizing Committee, Local 777, S.I.U.N.A., AFL-CIO, 398 F.2d 735, 738 (7th Cir. 1968)
- Anderman/Smith Operating Co. v. Tennessee Gas Pipeline Co., 918 F.2d 1215, 1219-20 (5th Cir. 1990)
- Tobacco Workers Int'l Union, Local 317 v. Lorillard Corp., 448 F.2d 949, 955-56 (4th Cir. 1971)
- Systems Council EM-3 v. AT&T Corp., 159 F.3d 1376, 1380 (D.C. Cir. 1998)
- Sengpiel v. B.F. Goodrich Co., 156 F.3d 660, 664-65 n. 4 (6th Cir. 1998)
- Gillis v. Hoechst Celanese Corp., 4 F.3d 1137, 1147 (3d Cir. 1993)
- Bigger v. American Commercial Lines, 862 F.2d 1341, 1344-45 (8th Cir. 1988)
- First National Maintenance Corp. v. NLRB, 452 U.S. 666, 677-78 n. 15 (1981)