

UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

Carl Colteryahn Dairy, Inc. v. Western Pennsylvania Teamsters & Employers Pension Fund

847 F.2d 113 (3d Cir. 1988) · Decided May 31, 1988

SUMMARY

The United States Court of Appeals for the Third Circuit considered challenges to withdrawal liability assessed under the Multiemployer Pension Plan Amendments Act. It held that fraud, misrepresentation, and concealment claims were not subject to mandatory MPPAA arbitration and could proceed in federal court under 29 U.S.C. § 1451 and federal common law, while a claim challenging the calculation of withdrawal liability had to be arbitrated first. The court also remanded the state-law claims for consideration of ERISA preemption and directed that the calculation claim be stayed rather than dismissed.

CASE DETAILS

COURT	United States Court of Appeals for the Third Circuit
WRITING FOR THE COURT	Becker; Cowen; Sloviter
JURISDICTION	Federal
DECIDED	May 31, 1988
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Appeal from dismissal of a complaint under Federal Rule of Civil Procedure 12(b)(1), and cross-appeal concerning dismissal of state-law claims for lack of pendent jurisdiction.
STANDARD OF REVIEW	De novo review of dismissal for lack of subject matter jurisdiction under Federal Rule of Civil Procedure 12(b)(1); allegations in the complaint were assumed true because the case was dismissed before an answer and no factual record had been developed.
PRECEDENTIAL VALUE	published
PARTIES	Carl Colteryahn Dairy, Inc. v. Western Pennsylvania Teamsters & Employers Pension Fund, Trustees of the Western Pennsylvania Teamsters & Employers Pension Fund, Accountants and actuaries employed by the Fund

TOPICS

erisa

employment law

arbitration

statutory interpretation

subject matter jurisdiction

PRACTICE AREAS

ERISA

employment law

pension law

civil procedure

federal jurisdiction

QUESTIONS PRESENTED

1. Whether claims that a multiemployer pension fund fraudulently induced an employer to join and remain in the fund must first be submitted to arbitration under 29 U.S.C. § 1401(a)(1).
2. Whether an employer has federal subject matter jurisdiction and a substantive federal cause of action to seek recovery of withdrawal liability allegedly assessed as a result of fraudulent inducement.
3. Whether a challenge to the inputs used to calculate withdrawal liability under 29 U.S.C. § 1391 must first be submitted to MPPAA arbitration even when framed as a pure statutory interpretation question.
4. Whether the district court should have dismissed the state-law claims for lack of pendent jurisdiction after dismissing the federal claims, or instead retained jurisdiction and determined whether ERISA preempted those claims.

HOLDINGS

1. Claims alleging that a multiemployer pension fund fraudulently induced an employer to join and remain in the fund do not concern a technical withdrawal-liability determination made under 29 U.S.C. §§ 1381 through 1399 and therefore need not first be submitted to MPPAA arbitration.
2. Under the federal common law of pension plans, a defrauded employer may sue in federal court for return of withdrawal-liability sums assessed as a result of fraudulent inducement to join the pension fund.
3. A challenge to whether payments should be treated as contributions in calculating an employer's allocable share of unfunded vested benefits under 29 U.S.C. § 1391 is a dispute concerning a determination under §§ 1381 through 1399 and must first be submitted to arbitration under § 1401(a)(1).
4. The district court correctly required arbitration of the calculation claim but erred by dismissing it; the claim should be stayed pending completion of arbitration.
5. Because federal subject matter jurisdiction remained over the fraud and misrepresentation claims, the district court had to reconsider its dismissal of the state-law claims and determine whether those claims were preempted by ERISA.

KEY QUOTATIONS

“In sum, we hold that, under the federal common law of pension plans, Colteryahn, as a defrauded employer, may sue in federal court for the return of any withdrawal liability sums that were assessed as a result of a fraudulent inducement to join the Fund.” (122)

“We therefore held that “ ‘it should be beyond cavil that the existence of an issue of statutory interpretation, standing alone, does not justify bypassing arbitration.’ ”” (123)

“The logical course would have been to stay proceedings on Count 2 until arbitration is completed, see, e.g., Flying Tiger, 830 F.2d at 1256, and we will so order.” (124)

FACTUAL BACKGROUND

Carl Colteryahn Dairy, Inc. was a contributing employer in the Greater Pittsburgh Dairy Industry Pension Fund, which agreed to merge into the Western Pennsylvania Teamsters and Employers Pension Fund. Colteryahn alleged that the Western Pennsylvania Fund and its trustees, actuaries, and accountants misrepresented or concealed substantial pre-merger unfunded liabilities, inducing Colteryahn to approve the merger and remain a contributing employer. After Colteryahn withdrew during a labor dispute, the Fund assessed approximately \$589,239 in withdrawal liability, which Colteryahn alleged primarily reflected liabilities that predated the merger.

PROCEDURAL HISTORY

Colteryahn challenged a withdrawal-liability assessment imposed under the Multiemployer Pension Plan Amendments Act, asserting federal fraud and misrepresentation claims, a statutory challenge to the assessment calculation, and state-law contract and tort claims. The district court dismissed the federal claims on the ground that they had to proceed first to MPPAA arbitration, then dismissed the state-law claims for lack of pendent jurisdiction. The Third Circuit reversed in part, affirmed the arbitration-first ruling for the calculation claim, directed that claim to be stayed rather than dismissed, and remanded the state-law claims for consideration of ERISA preemption.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

Exercise federal subject matter jurisdiction over Counts 1, 3, and 4; stay proceedings on Count 2 until MPPAA arbitration is completed; and determine whether Counts 5 through 9 are preempted by ERISA.

CASES CITED

- United Retail & Wholesale Employees Teamsters Union Local No. 115 Pension Plan v. Yahn & McDonnell, Inc., 787 F.2d 128, 130 (3d Cir. 1986), *aff'd* by an equally divided Court sub nom. Pension Benefit Guaranty Corp. v. Yahn & McDonnell, Inc., 479 U.S. 942 (1986)
- Flying Tiger Line v. Teamsters Pension Trust Fund, 830 F.2d 1241, 1248-49, 1254-56 (3d Cir. 1987)
- Dorn's Transportation v. Teamsters Pension Trust Fund, 787 F.2d 897, 903 (3d Cir. 1986)
- Republic Industries v. Central Pennsylvania Teamsters Pension Fund, 693 F.2d 290, 294-95, 297 (3d Cir. 1982)
- Northeast Department ILGWU Health & Welfare Fund v. Teamsters Local Union No. 229 Welfare Fund, 764 F.2d 147, 153, 157-58 (3d Cir. 1985)

- Tuvia Convalescent Center v. National Union of Hospital & Health Care Employees, 717 F.2d 726, 729-30 (2d Cir. 1983)
- Alton Memorial Hospital v. Metropolitan Life Insurance Co., 656 F.2d 245, 249 (7th Cir. 1981)
- Murphy v. Heppenstall Co., 635 F.2d 233, 237 (3d Cir. 1980), cert. denied, 454 U.S. 1142 (1982)
- Barrowclough v. Kidder, Peabody & Co., 752 F.2d 923, 936-37 (3d Cir. 1985)
- In re White Farm Equipment Co., 788 F.2d 1186, 1191 (6th Cir. 1986)
- Reuther v. Trustees of Trucking Employees Welfare Fund, 575 F.2d 1074, 1078 (3d Cir. 1978)
- Airco Industrial Gases v. Teamsters Health and Welfare Pension Fund, 618 F. Supp. 943, 948, 951 (D. Del. 1985)
- Whitworth Brothers Storage Co. v. Central States, Southeast and Southwest Areas Pension Fund, 794 F.2d 221, 233-36 (6th Cir. 1986)
- Airco Industrial Gases v. Teamsters Pension Trust Fund, 668 F. Supp. 893, 900-01 (D. Del. 1987)
- Dime Coal Co. v. Combs, 796 F.2d 394, 399 n. 7 (11th Cir. 1986)
- McHugh v. Teamsters Pension Trust Fund, 638 F. Supp. 1036, 1048-49 (E.D. Pa. 1986)
- Crown Cork & Seal Co. v. Teamsters Pension Fund, 549 F. Supp. 307, 310-12 (E.D. Pa. 1982), aff'd mem., 720 F.2d 661 (3d Cir. 1983)
- I.A.M. National Pension Fund, Plan A, A Benefits v. Clinton Engines Corp., 825 F.2d 415, 418 (D.C. Cir. 1987)
- Teamsters Pension Trust Fund—Board of Trustees of Western Conference v. Allyn Transportation Co., 832 F.2d 502, 504 (9th Cir. 1987)
- IAM National Pension Fund v. Stockton Industries, 727 F.2d 1204, 1209-10 (D.C. Cir. 1984)
- Grand Union Co. v. Food Employers Labor Relations Association, 808 F.2d 66, 69-71 (D.C. Cir. 1987)
- Metropolitan Life Insurance Co. v. Massachusetts, 471 U.S. 724, 739 (1985)
- Shaw v. Delta Air Lines, Inc., 463 U.S. 85, 99 (1983)
- Metropolitan Life Insurance Co. v. Taylor, 481 U.S. 58 (1987)
- Franchise Tax Board v. Construction Laborers Vacation Trust, 463 U.S. 1 (1983)
- Saporito v. Combustion Engineering, Inc., 843 F.2d 666, 668 (3d Cir. 1988)
- Laborers Health and Welfare Trust Fund v. Advanced Lightweight Concrete Co., 484 U.S. 539, 549 (1988)
- Pension Benefit Guaranty Corp. v. Yahn & McDonnell, Inc., 479 U.S. 942 (1986)