Labor Law--The Scope of Judicial Review in Arbitration Proceedings

Peter F. Young

Follow this and additional works at: http://scholarlycommons.law.case.edu/caselrev
Part of the Law Commons

Recommended Citation
Available at: http://scholarlycommons.law.case.edu/caselrev/vol13/iss3/30
Recent Decisions

LABOR LAW — THE SCOPE OF JUDICIAL REVIEW IN ARBITRATION PROCEEDINGS

Textile Workers Union of America v. American Thread Co.,
291 F.2d 894 (4th Cir. 1961)

This case originated when the American Thread Company discharged an employee for carelessness in the performance of his job. The union protested his discharge, using the medium of the grievance procedure set forth in the collective bargaining agreement. The company agreed to arbitrate, and the matter was submitted to a hearing. At the hearing the arbitrator found that there was just cause for discipline, but that discharge was too severe a punishment, and ordered reinstatement after a week's suspension. When the company refused to comply with this decision, the union filed suit in the United States District Court. The district court granted the company's motion for summary judgment on the grounds that the arbitrator had exceeded the scope of his authority. On appeal to the Fourth Circuit, the trial court's decision was upheld, and enforcement of the arbitrator's order was refused.

The important issues dealt with by the court in this case were whether the arbitrator over-extended his authority under the terms of the collective bargaining agreement and the submission to arbitration, and whether this overreaching was of such a nature that the court should interfere and set aside his award.

2. Prior to this decision, the district court had refused the case for lack of jurisdiction. Upon appeal by the union, the court of appeals remanded. Textile Workers Union v. American Thread Co., 271 F.2d 277 (4th Cir. 1959). In remanding, the court of appeals cited Enterprise Wheel & Car Corp. v. United Steelworkers, 269 F.2d 327 (4th Cir. 1959), and Textile Workers Union v. Cone Mills Corp., 268 F.2d 920 (4th Cir. 1959). These decisions upheld the jurisdiction of federal courts over arbitration cases.
3. Textile Workers Union v. American Thread Co., 291 F.2d 894 (4th Cir. 1961). In so holding, the Court of Appeals for the Fourth Circuit aligned itself with those few district courts and courts of appeals which have acted contrary to what the Supreme Court has indicated should be the policy of federal courts, that is, that courts should not ordinarily review labor arbitration cases. The position of these minority courts reflects an attempt to retain the traditional judicial function of final review of administrative decisions under all circumstances.
4. Another issue discussed by the court was whether there had been jurisdiction over the subject matter. It correctly ruled that jurisdiction was proper. The court of appeals pointed out that there is no jurisdiction only in actions where it is sought to enforce some right outside the terms of the bargaining agreement. See Association of Westinghouse Salaried Employees v. Westinghouse Elec. Corp., 348 U.S. 437 (1955). Where the matter to be arbitrated comes within the terms of the agreement and the submission to arbitration, then the district court has jurisdiction. In Textile Workers Union v. Lincoln Mills, 353 U.S. 488 (1957), the Supreme Court established that there were no constitutional barriers to enforcement of collective bargaining agreements by the courts and that Congress had intended them to be enforced. A federal district court could compel arbitration when the contract so provided, and one of the parties was recalcitrant.

The jurisdiction of the courts was further defined in Textile Workers Union v. Cone
The court answered both of these questions in the affirmative, saying that the arbitrator was limited to a determination of "just cause" for discipline by the terms of the contract and the submission to arbitration. He could not act beyond that finding to pass on the degree of punishment imposed by the company. This holding was based upon the court's interpretation of the controlling agreements.

Pertinent articles of the collective bargaining agreement are in conflict with each other in this case. The "Management Rights" provision provides that any action of the company should be subject to the grievance procedure, up to but not including arbitration, unless expressly provided for. It then specifies that any change in work rules should expressly be subject to arbitration.\(^5\)

The court reasoned that the latter provision for arbitration is an example of the express exception provided for in the preceding part of Mills Corp., 268 F.2d 920 (4th Cir. 1959), wherein it was held that the district court has the authority to enforce the award of the arbitrator. The Supreme Court denied certiorari, in effect indicating their tacit approval of the decision, 361 U.S. 886 (1959).

5. Article III of the collective bargaining agreement is the "Management Rights" provision, which states:

"It is agreed that, except as expressly limited or modified in this Agreement, the Company has the right of management. This includes, among other things, the right . . . to discipline or discharge employees for just cause . . . . [A]ll rights heretofore exercised by or inherent in the Management, and not expressly contracted away by the terms of this Agreement are retained by the Management. Any action by the Company under this section may be made the subject of . . . grievance procedure, up to but not including arbitration, unless as otherwise hereinafter expressly provided in this Agreement. It is expressly agreed, however, that should the Company change existing work rules, that such changes are subject to the grievance and arbitration procedure under this Agreement." (Emphasis added by the court.)


6. The next article of importance is IV. Sections 1, 2, and 3 provide:

1. "Just Cause — Employees shall be disciplined or discharged only for just cause, which shall include . . . failure of an employee to properly perform his job in accordance with the Company standards . . . ."

2. "Procedure — In all cases of discharge or discipline, the Company will promptly present a written statement to the employee . . . involved giving the cause of the discharge or discipline. The employee or the Union shall have the right to make such a matter a grievance, subject to the grievance procedure of this Agreement . . . ."

3. "Finding — Should it be determined that any employee was disciplined or discharged without just cause, such employee shall be restored . . . provided, however, that no arbitrator may award back pay for a period exceeding ninety (90) days . . . ." Id. at 898.

Article VII provides:

"Disputes, grievances, or disagreements involving application or interpretation of this agreement . . . not satisfactorily adjusted under the Grievance Procedure set out in the preceding section shall be promptly referred to arbitration. . . . The findings and decisions of the arbiter shall be final and binding to both parties hereto. The arbiter shall make no award affecting a change, modification or addition to this Agreement and shall confine himself to the facts submitted in the hearing, the evidence before him and the terms of the contract . . . ." Id. at 898.

In addition to the terms of the contract the stipulation in the submission to arbitration was also considered by the court.

"Under the terms of the contract and within the limits of those terms, including the restrictions on the power of the arbitrator . . . has the union proved, a violation of the contract? If so, and within the same limitations, what should be the remedy?" (Emphasis added by the court.) Id. at 897.
Article III, and that the parties intended any other exception to the "no arbitration" requirement to have been set forth in a similar manner as an express exception. In so holding, the court overlooked the apparent contradiction established by the subsequent articles of the agreement. These articles outline the grievance procedures and provide that any dispute involving the agreement, and not otherwise settled, should be submitted to arbitration.

The court further pointed out that the company could discipline or discharge for "just cause," and that an example of "just cause" was failure to perform according to company standards. Thus, once the arbitrator decided that there was failure to perform properly, "just cause" was established, and the company could punish according to its discretion. The arbitrator could not decide the punishment, and when he did so, he exceeded his authority under the contract and the submission. Therefore, the court refused to enforce the award.

In a dissenting opinion, Chief Justice Sobeloff took exception to the reasoning of the majority. Article IV, section 3 of the collective bargaining agreement expressly mentions an arbitrator's award in a discharge or discipline case. He said this section would have no purpose were arbitration not intended. Thus, arbitration of a discharge or discipline grievance is expressly provided for in Article IV. Article VII expressly provides for arbitration of any dispute involving the application or interpretation of the agreement when no other settlement can be reached.

The dissent pointed out the error of the majority in confining the arbitrator's authority to deciding only the issue of "just cause." It was a question of interpretation of the contract as to the scope of the arbitrator's authority. The arbitrator was the exclusive interpreter, and unless he assumed authority clearly beyond the scope of a reasonable interpretation of the agreement, his determination should not have been disturbed. His finding was certainly reasonable that the determination of "just cause" included the determination of the degree of punishment that accompanied it. The dissent concluded that the arbitrator did not exceed his authority under the contract or the submission.

The majority decision is in conflict with a recent trilogy of Supreme Court cases which are the landmarks for the treatment of labor arbitration.

7. See Article VII of the collective bargaining agreement, supra note 6.
10. The conflict between the sections of the agreement is probably the result of poor drafting. The fact remains, however, that the question of arbitrability should never have been raised, since by submitting to arbitration, the company waived any objection thereto.
by the federal courts. Several rules which limit judicial review may be gained from these three cases. In United Steelworkers v. American Manufacturing Company the Supreme Court stated the proposition that the courts are confined to determining whether the party seeking arbitration is making a claim which on its face is governed by the contract. Whether the moving party is right or wrong is a question of interpretation of the contract, a question solely for the arbitrator. In United Steelworkers v. Warrior & Gulf Navigation Company, an action to compel arbitration, the Supreme Court said:

In the absence of any express provision excluding a particular grievance from arbitration, we think only the most forceful evidence of a purpose to exclude the claim from arbitration can prevail, particularly where, as here, the exclusion clause is vague and the arbitration clause quite broad.

It was pointed out in United Steelworkers v. Enterprise Wheel & Car Corporation that the Court in the Warrior case intended to say that federal courts should generally decline to review the merits of arbitration awards and decline to review whether or not the matter was arbitrable in the first instance. In the Enterprise case it was held that the arbitration or award should not be disturbed unless clearly beyond the scope of the agreement, and it was implied that the award is presumed to have been within the scope of the agreement.

The dissenting opinion pointed out that the majority in the instant case misinterpreted the Warrior decision. The majority attempted to distinguish the present case from the Warrior case because of the clause in Article III of the collective bargaining agreement, which excludes grievances from arbitration unless arbitration is expressly provided for. The majority said that this clause is the express exclusion from arbitration called for in Warrior and that there is no express exception which allows arbitration. However, in Warrior, the Court was not talking about an exclusion clause working in this way, but rather one which worked in an opposite fashion by providing for arbitration of grievances, absent an express exception providing for no arbitration.

The majority are not alone in their interpretation of the Supreme

16. Id. at 598.
18. In United Steelworkers v. Warrior & Gulf Navigation Co., 363 U.S. 574, 576 (1960), the exclusion clause provided that the enumerated management rights were not subject to grievance proceedings at any level.