

Airline Management Newsletter

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Airline Employee's ERISA Claims Precluded by RLA

Executive Summary: A federal trial court in Michigan has held that an ERISA lawsuit brought by a former employee of Northwest Airlines is a minor dispute and is preempted by the Railway Labor Act (RLA). See *James v. American General Assurance Co.* (Sep. 8, 2011). Accordingly, the court held that it lacked jurisdiction to hear these claims and dismissed the lawsuit.

Background

James, a former reservations agent for Northwest Airlines, was injured in a car accident and filed a claim for disability pension benefits under Northwest Airlines Pension Plan for Contract Employees (the "Pension Plan"). He also filed a claim for long-term disability benefits under Northwest Airlines Long Term Disability Plan ("LTD Plan"). Both claims were denied and James filed suit in federal court challenging the denials. Both the Pension Plan and the LTD plan requested the court dismiss the lawsuit for lack of subject matter jurisdiction, claiming these allegations constitute minor disputes that must be resolved pursuant to the RLA's dispute resolution mechanisms.

Pension Plan Claims

The Pension Plan is a tax-qualified defined benefit pension plan for the benefit of eligible union-represented employees of Northwest Airlines. There was no question that James was eligible to participate in the Pension Plan because it had been adopted by the collective bargaining agreement (CBA) between Northwest and IAM, the union to which James belonged. James submitted a claim under the process set forth in the Pension Plan and CBA, but it was denied after the first step. Although James requested IAM file a grievance on his behalf before the system board of adjustment (SBA), it did not do so. He did not proceed on his own before the SBA, but instead filed suit under ERISA claiming he was improperly denied benefits. He also sought a determination that he was disabled as that term is defined in the Pension Plan and, accordingly, entitled to disability-pension benefits.

LTD Claims

James also filed a claim for long-term disability benefits under the LTD plan; however, this claim was denied as untimely. He did not request that the union represent him before the SBA in connection with his long-term disability claim, but instead filed suit in federal court claiming he was improperly denied benefits under the LTD plan.

Court Determination that Claims are Minor Disputes

Under the RLA, "minor disputes," which are disputes "growing out of ... the interpretation or application of agreements concerning rates of pay, rules, or working conditions" must be resolved "only through the RLA mechanisms, including the carrier's internal dispute-resolution processes and an adjustment board established by the employer and the unions." *Hawaiian Airlines, Inc. v. Norris*, 512 U.S. 246, 253 (1994). This means that federal courts lack jurisdiction over actions involving minor disputes.

The court noted that the RLA's mandatory arbitration requirement can apply to pension disputes under ERISA. However, for the RLA's arbitration requirement to apply in the ERISA context, the pension plan must either be (1) itself incorporated in a CBA, or (2) maintained pursuant to a CBA. Additionally, under the case law established by the Sixth Circuit Court of Appeals, which was applicable to this case, ERISA benefit denials are minor disputes if resolution of the dispute requires an interpretation of the plan language (in addition to the requirement that the pension plan is either incorporated in a CBA or maintained pursuant to a CBA). Here, the court held that James' claims against the Pension Plan were minor disputes. The court found that the Pension Plan was maintained pursuant to the CBA because, first, "the CBA expressly adopts the Pension Plan, along with numerous amendments thereto" and "[s]econd, the Pension Plan references the CBA." Additionally, the court held that James' claims against the Pension Plan were minor disputes because they required the court to determine whether the plan administrator correctly interpreted the term "disability," as defined in the plan documents.

The court also held that James' claim under the LTD plan was a minor dispute. In holding that the LTD plan was incorporated by reference into the CBA and therefore maintained pursuant to the CBA, the court adopted the reasoning and analysis of the court in *Pearson v. Northwest Airlines, Inc.*, 659 F. Supp. 2d 1084, 1092 (C.D. Cal. 2009), which interpreted the same LTD plan and the same CBA at issue in this case.

James argued that he was entitled to benefits under the LTD plan because, even though his claim was untimely under the terms of the plan, no prejudice resulted from the delay in filing his claim. To resolve this claim, the court would have been required to interpret the LTD plan's choice of law provision, because whether prejudice must be shown is a matter of state law. Thus, because the

resolution of this claim required an interpretation of a provision of the plan, which was maintained pursuant to the CBA, the court held that the claims under the LTD plan were precluded by the RLA.

No Exceptions to RLA Preemption Apply

The court also found that no exceptions to preemption applied. First, the court held that there was no evidence that arbitration would be futile. Futility is established only when, through bias, prejudice or predisposition on the part of the arbitration board, there would be no point in submitting the claim to arbitration. Additionally, the court held that to invoke the futility exception "there must usually be collusion between the union and the employer." In this case, there were no allegations pertaining to any sort of animus on the part of the SBA, nor were there any allegations of collusion between Northwest and IAM. "Thus, Plaintiff's reliance on the futility exception is misplaced."

The court also found that James failed to present facts that would support his claim that the union breached its duty of representation, which is another exception to RLA preemption. To support such a claim in this context, the employee must show: (1) he or she relied on the union to process his or her grievance; (2) such reliance was reasonable; and (3) such reliance caused the employee's failure to personally present his or her claim to the SBA. The court held that this exception is applicable only when the union falsely assures the employee "by promising to file a grievance on his or her behalf — and then, unbeknownst to the employee until it is too late — fails to do so." There was no such evidence in this case since IAM never suggested it would pursue James' claims. "Because no claim has been advanced against the union in this case, and because there is no allegation that IAM wrongfully refused to process Plaintiff's grievance," the court held that this exception did not apply.