1	IN THE SUPREME COURT OF THE UNITED STATES
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3	STOLT-NIELSEN S.A., ET AL., :
4	Petitioners :
5	v. : No. 08-1198
6	ANIMALFEEDS :
7	INTERNATIONAL CORP. :
8	x
9	Washington, D.C.
L O	Wednesday, December 9, 2009
L1	
L2	The above-entitled matter came on for oral
L3	argument before the Supreme Court of the United States
L4	at 10:02 a.m.
L5	APPEARANCES:
L6	SETH P. WAXMAN, ESQ., Washington, D.C.; on behalf of
L7	the Petitioners.
L8	CORNELIA T.L. PILLARD, ESQ., Washington, D.C.; on behalf
L9	of the Respondent.
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1	PROCEEDINGS
2	(10:02 a.m.)
3	CHIEF JUSTICE ROBERTS: We'll hear
4	argument first today in Case 08-1198, Stolt-Nielsen S.A.
5	v. AnimalFeeds International.
6	Mr. Waxman.
7	ORAL ARGUMENT OF SETH P. WAXMAN
8	ON BEHALF OF THE PETITIONERS
9	MR. WAXMAN: Mr. Chief Justice, and may it
10	please the Court:
11	Unlike courts, arbitrators derive their
12	authority solely from the consent of the parties to a
13	particular agreement.
14	That agreement determines not only what the
15	parties have agreed to arbitrate, but just as
16	fundamentally, with whom they have agreed to do so. And
17	when the agreement reveals no intent, no meeting of the
18	minds to add participants, but the arbitrators
19	nonetheless extend their reach to hundreds of parties of
20	other contracts, they violate the basic principle
21	reflected in the FAA that their authority is created and
22	circumscribed by an agreement.
23	The decision to impose class proceedings is
24	not the kind of incidental procedural matter that
25	arbitrators have to resolve in order to discharge their

- 1 responsibilities under the foundational agreement.
- 2 JUSTICE GINSBURG: Mr. Waxman, there's a
- 3 preliminary question in this case, and that is: There
- 4 was one agreement, undoubtedly signed by both sides,
- 5 and that was the one to submit to the arbitrator the
- 6 question whether the arbitration clause permitted class
- 7 treatment.
- 8 The arbitrators answered that question,
- 9 which they were given authority to do so by both sides,
- 10 and the Second Circuit said that the arbitrators
- 11 answered within the ballpark.
- 12 If we agree with that, then there's nothing
- 13 else to consider in this case.
- 14 MR. WAXMAN: I respectfully disagree,
- 15 Justice Ginsburg. The arbitrators -- the agreement
- 16 reflected in paragraph 7 of the supplemental agreement
- 17 -- that is, to proceed to arbitration under the auspices
- 18 of Rules 3 through 7 of the AAA rules, and Rule 3 itself
- 19 contemplated precisely submitting precisely the
- 20 contract issue that the Bazzle plurality said should go
- 21 to the arbitrators. That is, looking at the arbitration
- 22 clause itself, does it objectively reveal an agreement
- 23 among the two parties to permit or prohibit class or
- 24 consolidated treatment, or is it truly silent?
- 25 That is a question of contract

- 1 interpretation. That is the question that was submitted
- 2 to the arbitrators.
- 3 There is a separate statutory question that
- 4 arises if the answer to the contract question is number
- 5 3. There is no meeting of the minds. It is truly
- 6 silent --
- 7 JUSTICE BREYER: But there is no such answer.
- MR. WAXMAN: Excuse me.
- JUSTICE BREYER: I thought, in contracts,
- 10 there is no such answer. When you interpret a contract
- 11 and it doesn't say, you try to figure out -- I used to
- 12 be taught that; probably I am way out-of-date -- you try
- 13 to figure out what a reasonable party would have
- 14 intended.
- MR. WAXMAN: Justice Breyer --
- JUSTICE BREYER: And I thought that's what
- 17 Bazzle said, that --
- 18 MR. WAXMAN: I very -- I very much doubt
- 19 that you are way out-of-date. If you are, I shudder to
- 20 think where I am. But let me be clear --
- JUSTICE BREYER: Not as out-of-date.
- (Laughter.)
- 23 MR. WAXMAN: I hope I am as up-to-date as I
- 24 need to be to provide a coherent, correct answer.
- 25 My proposition is twofold, and only the

- 1 second part gets to your question.
- 2 The first is that the arbitrators in this
- 3 case decided the contractual question, the -- did the
- 4 parties have a meeting of the minds, yes or no? And if
- 5 so, was it?
- JUSTICE BREYER: Yes.
- 7 MR. WAXMAN: And the arbitrators then went
- 8 on to say: Even though there is no meeting of the minds
- 9 objectively revealed, nonetheless we are going to apply
- 10 a background rule that puts the burden on the party
- 11 opposing arbitration to prove that there is an intent to
- 12 preclude.
- So, we're establishing that the --
- 14 JUSTICE BREYER: I see that now, but then --
- 15 but there are two separate questions.
- MR. WAXMAN: Exactly.
- JUSTICE BREYER: My question was, first, the
- 18 same as Justice Ginsburg.
- MR. WAXMAN: And I have an answer --
- 20 JUSTICE BREYER: And I have a question for
- 21 you on that, because in reading these briefs, I thought
- 22 your description of who is to decide this matter of
- 23 whether there is to be a class action was just what you
- 24 said: The question of who should decide it is a matter
- 25 for the parties.

$1 \hspace{1cm} \mathtt{MR.}$	WAXMAN:	The	question	
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- 2 JUSTICE BREYER: So when I looked at -- I
- 3 just have been reading Bazzle three, five times, and there
- 4 seemed --
- 5 MR. WAXMAN: Well, you are nowhere near up
- 6 to me, then.
- 7 JUSTICE BREYER: All right. But what it
- 8 seems to say is that that's a matter to figure out from
- 9 a contract and background circumstances. In Bazzle,
- 10 the contract was: Any -- all disputes relating to this
- 11 contract.
- 12 Here, it doesn't say that. It says: "Any
- 13 dispute arising from the performance, termination, or
- 14 making of the contract."
- Now, a class-action determination does
- 16 relate to. Maybe it doesn't arise out of, okay? That's
- 17 an argument.
- 18 MR. WAXMAN: Yes. No, no, no --
- 19 JUSTICE BREYER: So why are all these briefs
- 20 saying that what Bazzle said was: Whenever this is
- 21 silent, it goes to the arbitrator; the who question is
- 22 answered at arbitration.
- I can't find it saying that.
- MR. WAXMAN: No, no, no. What -- and I -- I'm
- 25 interpreting the plurality opinion that you wrote -- or

- 1 you and three of your colleagues.
- 2 JUSTICE BREYER: Yes, I know. I know. But
- 3 what I actually thought doesn't matter. What matters is
- 4 what is said.
- 5 MR. WAXMAN: Okay. Well, our
- 6 understanding -- what Bazzle said is, at the very
- 7 beginning of the opinion -- look, here's the case: The
- 8 South Carolina Supreme Court found that the arbitration
- 9 clause is truly silent, and it then applied a rule of
- 10 State law that says, if it's silent, class treatment
- 11 will be permitted. We granted certiorari in this case
- 12 to decide whether that rule of South Carolina law
- 13 applied to this case is precluded by the FAA, which
- 14 requires actual consent, not coercion.
- Now, what the plurality in Bazzle, with
- 16 respect, said is: We can't reach the legal question,
- 17 the statutory FAA question on which we granted review,
- 18 because we can't be certain that the contract really is
- 19 silent. To be sure, there's no express provision, but
- 20 Bazzle -- the Bazzle plaintiffs say that it is silent,
- 21 and Green Tree says, no, if you look at other words in
- 22 it, including the right to choose each arbitrator for
- 23 each arbitration, it's not -- the South Carolina courts
- 24 answered the question, but they are not the ones,
- 25 because when you are talking about a question of the

- 1 interpretation of a contract that has committed to
- 2 arbitration, that is for the arbitrators to decide. The
- 3 arbitrators have to decide whether there was actually a
- 4 meeting of the minds.
- 5 JUSTICE BREYER: Now, you're -- so the
- 6 answer to Justice Ginsburg's question is, as to the who
- 7 question, who shall decide whether or not in your case
- 8 class actions are permissible?
- 9 MR. WAXMAN: And the --
- 10 JUSTICE BREYER: The who question in Bazzle,
- 11 because of the contract and background, was the
- 12 arbitrator.
- MR. WAXMAN: If -- yes.
- 14 JUSTICE BREYER: The who question here,
- 15 irrespective of the contract is the arbitrator for the
- 16 reason that Justice Ginsburg said. There's a separate
- 17 saying: You are the who; you, arbitrators, are the who.
- MR. WAXMAN: Yes.
- 19 JUSTICE BREYER: So now we look to the what.
- 20 They then decided it.
- 21 MR. WAXMAN: Exactly. So in Bazzle --
- JUSTICE BREYER: What -- what did they decide?
- 23 And you are saying that's wrong. And there you run into
- 24 all the authority, Misco, who used to be in other
- 25 places, saying when the arbitrator says something,

- 1 unless it's in Marrs, follow it. That's what you are
- 2 addressing.
- 3 MR. WAXMAN: Right. Exactly. And -- and this
- 4 case presents exactly the same answer to that question
- 5 that Bazzle presented when it was granted review; that
- 6 is, there is -- there was an interpretation of the
- 7 contract in Bazzle, and an application of a legal
- 8 principle to that interpretation. The who for what --
- 9 what the parties actually intended is the arbitrator.
- 10 That's what the Bazzle plurality, together with Justice
- 11 Stevens, both decided.
- The question that arises, the legal question
- 13 that arises, only if the arbitrators say there was no
- 14 meeting of the minds: So what rule does the FAA allow
- 15 us to apply as a matter of Federal law? That is for
- 16 courts, and you didn't reach it because the preliminary
- 17 question of whether the contract was really silent, the
- 18 predicate question, wasn't answered. And you remanded
- 19 for that --
- 20 JUSTICE STEVENS: Mr. Waxman, can I ask this
- 21 preliminary question? Assume the contract expressly
- 22 authorized class arbitration. Would you agree that was
- 23 permissible?
- 24 MR. WAXMAN: If it expressly authorized it?
- JUSTICE STEVENS: Yes.

- 1 MR. WAXMAN: If it expressly authorized
- 2 class participation, obviously, we would have no
- 3 argument that the parties had not agreed to it.
- 4 JUSTICE STEVENS: I understand, but would
- 5 you agree that would be consistent with the law, to
- 6 enforce such a provision?
- 7 MR. WAXMAN: My -- I have a --
- 8 JUSTICE STEVENS: That is, does the Federal
- 9 statute prohibit that kind of provision?
- MR. WAXMAN: No, certainly not.
- 11 JUSTICE STEVENS: Oh.
- MR. WAXMAN: I mean, the only reason -- the
- only reason I'm hedging -- and I don't mean to hedge, but
- 14 trying to be thoughtful -- is that this Court explained
- 15 in Mitsubishi, in the context of the arbitration of a
- 16 Sherman Act agreement, and subsequently in Gilmer and
- 17 other statutory cases, that in determining whether class
- 18 participation or some other form of remedy is or isn't
- 19 available, there is a two-part inquiry.
- 20 The first part is: What was the scope of
- 21 the arbitration agreement? What is it that the parties
- 22 have agreed --
- 23 JUSTICE STEVENS: And you would agree that
- 24 if they phrased their order a little differently and
- 25 said we think that the best reading of this agreement

- 1 is that the parties intended to authorize class
- 2 arbitration, then you would have no case?
- 3 MR. WAXMAN: Then we would have review only
- 4 under the -- I don't know that I would characterize it
- 5 this way, but what Justice Breyer characterized, the
- 6 Marrs standard of review; that is, you would have to
- 7 show --
- 8 JUSTICE STEVENS: That there was manifest
- 9 disregard --
- 10 MR. WAXMAN: -- manifest disregard, and a
- 11 manifest --
- 12 JUSTICE STEVENS: And you would not contend
- 13 -- you are not arguing that that would be manifest --
- 14 MR. WAXMAN: No, our -- and the petition in
- 15 this case presented the question as given, presented the
- 16 issue of contract construction as given, that the
- 17 contract itself was silent, not only in the sense that
- 18 it didn't include an express provision or prohibition,
- 19 but also that it reflected no meeting of the minds. It
- 20 objectively revealed no meeting of the minds, looking
- 21 not only at the actual text of the contract, but also
- 22 looking at the other indicia -- objective indicia of
- 23 intent that courts use to --
- 24 JUSTICE STEVENS: What, in your view --
- 25 what, in your view, were the arbitrators asked to decide

- 1 by the submission by the parties?
- 2 MR. WAXMAN: The arbitrators were asked to
- 3 decide whether the arbitration agreement objectively
- 4 reveals consent to prohibit, permit -- whether it
- 5 reveals a meeting of the minds to prohibit class
- 6 treatment, permit class treatment, or whether it was
- 7 truly silent.
- 9 MR. WAXMAN: And if you look at --
- 10 JUSTICE ALITO: Didn't you just say that the
- 11 parties agreed that there was no meeting of the minds on
- 12 this issue?
- MR. WAXMAN: Well, no, no, no. The
- 14 parties that -- I mean -- we actually -- let me step
- 15 back and give -- and give the history of it.
- 16 This case arose immediately in the wake of
- 17 Bazzle. Okay? They sued in court; we obtained an order
- 18 affirmed by the Second Circuit sending them to
- 19 arbitration. Bazzle is decided, and we're all looking
- 20 at Bazzle, and we decide -- like the AAA, which has
- 21 filed an amicus brief in this case, and said it drafted
- 22 these rules in order to provide a procedure to answer
- 23 the Bazzle contract interpretation question; the AAA
- 24 says, we don't have any view about the statutory
- 25 question that arises from silence -- so we drafted a

- 1 supplemental agreement that, in paragraph 7,
- 2 incorporates the AAA Rules 3 through 7.
- 3 And the AAA Rule 3, which is included on
- 4 page 56 of the joint appendix, is headed "Construction"
- 5 of the Arbitration Clause." And it requires the
- 6 arbitrators in this arbitration to determine, quote, "on
- 7 construction of the arbitration clause, whether the
- 8 applicable arbitration clause permits the arbitration to
- 9 proceed on behalf of or against a class." The, quote,
- 10 "clause construction award."
- Now, the legal -- the arbitrators in this
- 12 case concluded that it neither permitted nor prohibited,
- 13 either by its express terms or by reference to other
- 14 objective indicia of intent --
- 15 JUSTICE STEVENS: I'm a little bit puzzled. I
- 16 don't understand how something -- if you ask
- 17 whether something permits it, and if it doesn't prohibit
- 18 it, doesn't it a fortiori permit it?
- 19 MR. WAXMAN: It -- in the context of the
- 20 Federal Arbitration Act, which this Court has made clear
- 21 more times than I can remember that the central purpose
- 22 is to ensure that private agreements to arbitrate are
- 23 enforced according to their terms, the question is:
- 24 Have the parties agreed to it if there is a meeting of
- 25 the minds?

- 1 If no meeting of the minds is objectively
- 2 revealed, under the FAA, the arbitrator exceeds his
- 3 authority in requiring class arbitration. It's -- there
- 4 is no consent. And if there is no consent, the legal
- 5 rule under -- the hallmark principle of the FAA is this
- 6 is a private consensual matter. This is not a court
- 7 exercising public coercive authority. I mean, the --
- 8 JUSTICE ALITO: What is your understanding
- 9 of what Mr. Persky says at 77a of the joint appendix?
- 10 He was -- I take it he was counsel for AnimalFeeds? Is
- 11 that right?
- 12 MR. WAXMAN: Correct. He --
- 13 JUSTICE ALITO: And he says all the parties
- 14 agree that when a contract is silent on an issue, there
- 15 has been no agreement that has been reached on that
- 16 issue; therefore, there has been no agreement to bar
- 17 class arbitrations.
- 18 MR. WAXMAN: Right. I --
- 19 JUSTICE ALITO: So then I don't understand
- 20 what issue there was for the arbitrator to --
- 21 arbitrators to decide --
- MR. WAXMAN: They --
- 23 JUSTICE ALITO: -- other than to impose a rule
- 24 like the rule that had been adopted by South Carolina.
- 25 But that would not be within their power, unless they

- 1 could presumably find that rule in Federal maritime law
- 2 or New York law.
- 3 MR. WAXMAN: Correct. I mean --
- 4 JUSTICE ALITO: So what was the issue for
- 5 them to decide?
- 6 MR. WAXMAN: So here's was -- here's what the
- 7 issue was. They said the contract is completely silent
- 8 and, as you quoted on page 77, the part -- there's no
- 9 meeting of the minds on this issue at all. That was
- 10 their position about the construction of the contract.
- 11 Our position about the construction of the
- 12 contract was that, in fact, although there is no express
- 13 provision one way or the other, this is a maritime
- 14 contract, and the -- and maritime law is ascertained by
- 15 custom and practice. And we introduced evidence in the
- 16 form of affidavits that were unrefuted that since the
- 17 days of Marco Polo, these types of spot voyages have
- 18 been --
- 19 JUSTICE BREYER: That -- isn't that -- you
- 20 and I have a contract. I'll ship you 17 pounds of durum
- 21 wheat, and you will pay me \$43. In the meantime, a
- 22 green worm eats up all the durum wheat, and therefore
- 23 they can't send durum wheat; they send some duhu wheat.
- 24 All right? Question: Is the contract
- 25 valid or not?

- 1 MR. WAXMAN: I don't owe you.
- 2 JUSTICE BREYER: Answer: We have courts for
- 3 that purpose. We have arbitrators for that purpose.
- 4 MR. WAXMAN: Exactly.
- 5 JUSTICE BREYER: Arbitrators will look to
- 6 see what it says. If it says nothing, they will try to
- 7 determine what the parties thought. If they can't
- 8 determine what they thought, they will look to custom,
- 9 analogy, et cetera. Now --
- MR. WAXMAN: No.
- JUSTICE BREYER: They won't?
- MR. WAXMAN: In -- in the -- in the context
- 13 of -- in the context of a court that has jurisdiction
- 14 over a dispute and exercises coercive power, it has to
- 15 get to an answer.
- When you are talking about private
- 17 arbitration, where the model is a private agreement to
- 18 resolve things between two parties, this -- under the
- 19 FAA, the arbitrators get their authority only as to
- 20 matters as to which there is consent.
- 21 And there is -- going to Justice Alito's
- 22 question, there was consent. It was submitted for
- 23 purpose of determining whether -- if you look at the
- 24 contract and look at background rules and look at parol
- 25 evidence and look at custom and practice, can you

- 1 discern whether, as -- as you put it in -- in the
- 2 opinion in Howsam, Justice Breyer, whether the contract,
- 3 quote, "objectively reveals an agreement" by the two
- 4 parties.
- 5 JUSTICE SCALIA: But that's the same before
- 6 courts. That's no different. I mean, yes, a court has
- 7 to come to a decision, but so does an arbitrator. And I
- 8 really -- I really don't understand what it means to say
- 9 that the contract does not cover it. I mean, the -- the
- 10 contract either requires it or does not require it.
- 11 And if the contract is silent, either the
- 12 court or the arbitrator has to decide what is the
- 13 consequence of that silence, in light of the background,
- 14 in light of -- of implied understandings. Is the
- 15 consequence of the -- of the silence that a class
- 16 arbitration is permitted, or is the consequence of the
- 17 silence that it is not?
- 18 But those are the only answers. The
- 19 contract requires it or the contract doesn't require it.
- 20 I don't know anything in between -- the contract is
- 21 silent. If the contract is silent, it's up to the court
- 22 or the arbitrator to decide what that silence means.
- 23 MR. WAXMAN: Exactly. And -- and maybe the
- 24 ambiguity here is the fluidity of the term "silence."
- "Silence" can mean there's no express

- 1 provision. "Silence" could also mean, well, if you look
- 2 at other words in the text of the contract, you can't
- 3 work your way through to conclude that there was in fact
- 4 an intent.
- 5 It also may mean -- and this is the sense
- 6 that I am using it in, and I think the sense that the
- 7 arbitrators have authority to do, is to say, well,
- 8 let's look and see, for example, if there is custom and
- 9 practice that would inform the backdrop against which
- 10 the parties negotiate.
- JUSTICE KENNEDY: And -- and why is it that
- 12 you say an arbitrator cannot do that, but a judge can?
- MR. WAXMAN: No, no, no, I think an
- 14 arbitrator can. The arbitrator has plenary authority,
- 15 subject to manifest disregard review, to decide whether
- 16 or not there was a meeting of the minds of the parties.
- 17 And it can use the text of the statute; it can use an
- 18 applicable background principle of governing law; it can
- 19 use principles like contra proferentem, as this Court
- 20 did in --
- JUSTICE KENNEDY: But are they situated and
- 22 do they have the same authority as a court would in
- 23 determining that issue, given the fact that it was
- 24 remitted to them to decide?
- MR. WAXMAN: They have plenary authority to

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- 2 intent, that go to whether there is -- possible to discern
- 3 a meeting of the minds. They don't have --
- 4 JUSTICE KENNEDY: And you would -- would you
- 5 describe -- would you describe the authority of a court
- 6 any differently than you've just described the authority
- 7 of an arbitrator?
- 8 MR. WAXMAN: Well, I think that courts can
- 9 -- for example, a court can say -- and the other side
- 10 relies heavily on a Seventh Circuit opinion by Judge
- 11 Posner, where he basically says: There is no intent
- 12 here, but courts apply contract constructions that seem
- 13 most sensible as a matter of public policy, and that's
- 14 what we are going to do.
- 15 That's what a court can do and an arbitrator
- 16 can't. The arbitrator can use any tools possible,
- including, largely, the text and custom and practice, in
- 18 order to define whether or not there was a meeting of
- 19 the minds. But if there wasn't --
- 20 JUSTICE SCALIA: Do I have to agree with
- 21 Judge Posner on that? I mean I -- I don't --
- 22 MR. WAXMAN: I think it's a radical
- 23 proposition --
- JUSTICE SCALIA: You would -- yes, you --
- MR. WAXMAN: -- as a matter of what courts can

- 1 do, but it certainly doesn't express what an arbitrator
- 2 can do. And he was -- he was performing the kind of
- 3 function, ostensibly, that you said that should be done
- 4 by an arbitrator in Bazzle. He was doing it as a court.
- 5 But arbitrators have to construe the
- 6 agreement itself between the two parties to see if there
- 7 is a meeting of the minds. And there are lots of tools
- 8 they can use.
- 9 And just to get back to your question,
- 10 Justice Alito --
- JUSTICE SCALIA: But --
- 12 MR. WAXMAN: I'm sorry -- in this case, we
- 13 said the contract was not truly silent, that --
- 14 essentially, we argued what Judge Rakoff concluded.
- 15 They said: No, no, no; it is truly silent, but you
- 16 should rule for us on other grounds. And may I please
- 17 ask the Court, if you have it, to turn to page 22 of our
- 18 blue brief, because on page 22 of our blue brief we have
- 19 reprinted exactly what AnimalFeeds told the arbitrators
- 20 were the reasons why they should win, in light of Mr.
- 21 Persky's statement that there was no meeting of the
- 22 minds. And it is the indented paragraph.
- This is all that they said: "The parties'
- 24 arbitration clause should be construed to allow class
- 25 arbitration because (a) the clause is silent on the

- 1 issue of class treatment, and without express
- 2 prohibition, class arbitration is permitted under
- 3 Bazzle." The arbitrator said: No, that's not what
- 4 Bazzle means. Bazzle doesn't mean that unless there's
- 5 an express prohibition, it's -- it's permitted. So that
- 6 was their reason number one.
- 7 Let's go to their reason number 3.
- 8 JUSTICE GINSBURG: Where did the arbitrators
- 9 say that?
- 10 MR. WAXMAN: They said it in -- pardon me
- 11 while I get the page.
- 12 Page 49a: "Claimants argue that Bazzle
- 13 requires clear language that forbids class arbitration
- in order to bar a class action. The panel, however,
- 15 agrees with Respondents that the test is a more general
- 16 one. Arbitrators must look to the language of the
- 17 parties' agreement to ascertain the parties' intention,
- 18 whether they intended to permit or to preclude class
- 19 arbitration."
- Now, let's go back to what they told the
- 21 arbitrators, and it's reprinted on page 22. I am going
- 22 to skip --
- JUSTICE STEVENS: But let me just, right
- 24 there, interrupt with one question. The alternatives
- 25 before the arbitrator were whether it is permitted or

- 1 precluded?
- 2 MR. WAXMAN: Or was silent.
- JUSTICE STEVENS: No, that's not what they
- 4 said there, is it? That -- that the parties agree they're
- 5 silent -- that whether they -- if they are silent,
- 6 whether they permit or preclude class action. Those are
- 7 the two alternatives that they were confronted with.
- 8 They decided that it did not preclude; ergo, it
- 9 permitted.
- MR. WAXMAN: Well --
- 11 JUSTICE STEVENS: That's what the answer to
- 12 that on page 49a is.
- MR. WAXMAN: No, with -- with respect -- and
- 14 I'll -- let me answer this question --
- JUSTICE STEVENS: You --
- MR. WAXMAN: -- before getting back to the
- 17 -- what that -- what -- look, you -- you may find,
- 18 contrary to the cert grant in this case, that the
- 19 predicate of our petition is wrong.
- 20 Our petition is predicated on the
- 21 understanding that the arbitrators found that the
- 22 contract was truly silent; that is, it expressed no
- 23 meeting of the minds. And, therefore, this case
- 24 presents the question --
- JUSTICE STEVENS: But the question you were

- 1 asked was whether that silence should be interpreted as
- 2 a preclusion or a permission.
- 3 MR. WAXMAN: And we know from the
- 4 arbitrators' decision --
- 5 JUSTICE STEVENS: You said there was a
- 6 permission.
- 7 MR. WAXMAN: As -- as a background rule,
- 8 that's what they said. What they said was, they --
- 9 first of all -- and we are looking at page 52 -- they
- 10 acknowledge the force of the argument, quote, "that the
- 11 bulk of international shippers would never intend to
- 12 have their disputes decided in a class arbitration."
- 13 But they said, well, we can deal with that later in
- 14 deciding whether they can opt in or out.
- I mean, the point is that if you have to opt
- in because it's clear that you never agreed, there is no
- 17 meeting of the minds.
- 18 Secondly --
- 19 JUSTICE GINSBURG: Mr. Waxman, may I
- 20 ask you -- because your time is running and we are
- 21 spending all of your time on this preliminary question.
- 22 There is one fundamental flaw, it seems to
- 23 me, in your argument, and I'd like you to answer it.
- 24 And you can call it "the vanishing class action."
- 25 AnimalFeeds wanted to be in court, not in arbitration.

- 1 MR. WAXMAN: Yes.
- 2 JUSTICE GINSBURG: You said -- and they
- 3 wanted to bring a class action. You persuaded the
- 4 Second Circuit they belong in arbitration. So now they
- 5 are in arbitration. You say: The only thing we
- 6 consented to is a one-on-one claim. Fine.
- 7 AnimalFeeds can then say: Fine, well, we
- 8 didn't consent to anything more than the one-on-one. We
- 9 had a class action. We had -- we were in court. We
- 10 could have proceeded in an individual action or a class
- 11 action. Now we are in arbitration, and under the
- 12 agreement, as you read it, we can't have the class
- 13 action in arbitration.
- 14 That doesn't mean it vanishes, because if it
- 15 does, then the arbitration clause is not merely saying
- 16 what the arbitrator can decide, but it is shrinking
- 17 drastically the dimensions of AnimalFeeds' claim.
- 18 MR. WAXMAN: That is incorrect, with
- 19 respect. AnimalFeeds doesn't have a class claim.
- 20 AnimalFeeds has a claim. Its claim is that it paid too
- 21 much for the contracts that it entered into -- the charter
- 22 parties -- to ship some sort of oil from Panama to ports
- 23 around the world.
- 24 It is -- it was asking a court, and is now
- 25 asking an arbitrator, to join in the separate claims

- 1 that other parties to other contracts with other
- 2 terms --
- 3 JUSTICE GINSBURG: But that's what it was
- 4 doing in court.
- 5 MR. WAXMAN: Exactly. And --
- 6 JUSTICE GINSBURG: And -- and the court
- 7 said this goes to arbitration. What is the "this"?
- 8 If it's only a one-on-one claim, how do they lose the
- 9 larger claim that they had in court?
- 10 MR. WAXMAN: It's -- you know, that argument
- 11 -- in the JLM case, which is the case in which the
- 12 Second Circuit, the district court in the Second Circuit
- 13 said, no, you have to arbitrate this -- their briefs
- 14 actually made this point. Their briefs said you can't
- 15 send us to arbitration, because we won't get class
- 16 treatment in arbitration.
- 17 And the Second -- the district court in the
- 18 Second Circuit said you have got to arbitrate
- 19 according to the terms of your agreement. In footnote 9
- 20 of the Second Circuit's opinion --
- 21 JUSTICE GINSBURG: But they never -- they
- 22 never gave up.
- MR. WAXMAN: They never --
- 24 JUSTICE GINSBURG: If -- if the -- if you
- 25 would regard arbitration as a change in forum, like

- 1 a forum selection clause, it says where you go, but it
- 2 doesn't change, if you have to go to another forum, what
- 3 your claim is.
- 4 MR. WAXMAN: Their claim was we paid too
- 5 much. And with respect, Justice Ginsburg, your point
- 6 that they aren't allowed to proceed in class arbitration
- 7 is no different than the fact that by agreeing to
- 8 arbitrate this bilateral dispute, the parties agreed to
- 9 dispense with an appeal and with meaningful judicial
- 10 review of the things the arbitrators decided.
- 11 JUSTICE SCALIA: Mr. Waxman, I hope you are
- 12 going to have time to go through (a), (b), and (c) --
- 13 MR. WAXMAN: I --
- 14 JUSTICE SCALIA: -- as you started to do.
- MR. WAXMAN: I will.
- JUSTICE SCALIA: Thank you.
- 17 MR. WAXMAN: I -- I was hoping to reserve a
- 18 few minutes for rebuttal, but nothing is more
- 19 important than --
- 20 JUSTICE SCALIA: Yes, I bet you were thinking
- 21 you'd be able to.
- MR. WAXMAN: -- than answering the Court's
- 23 questions.
- 24 So I think we have dealt with (a). They --
- 25 they said (a) we win because Bazzle requires it. The

- 1 arbitrators correctly said no.
- I want to skip (b), because my submission is
- 3 that (b) is what they did.
- 4 (C) says the clause would be unconscionable
- 5 and unenforceable if it forbade class arbitration. The
- 6 panel said: We aren't reaching that; we are not
- 7 deciding that question.
- 8 So what's left? The only other argument
- 9 that AnimalFeeds made was (b): The clause should be
- 10 construed to permit class arbitration as a matter of
- 11 public policy. And that is exactly what the arbitrators
- 12 did.
- 13 What they said was -- and this is on page 51
- 14 of the petition appendix -- they said that if they
- 15 followed a strict contractual theory, quote, "There
- 16 would appear to be no basis for a class action, absent
- 17 express agreement among all parties and putative class
- 18 members."
- 19 And they then, lower down on the page, then
- 20 said that we were required to prove that the parties,
- 21 quote, "intended to preclude arbitration." That is,
- 22 they applied a background rule that they thought was
- 23 desirable from a public policy sense.
- 24 And our sole submission here, the only
- 25 question presented in this case, is that that decision

- 1 is not -- is precluded by the Federal Arbitration Act,
- 2 which requires that contracts to arbitrate be construed
- 3 only in accordance with their terms and what the parties
- 4 agreed with. And section 4 of the Arbitration Act
- 5 couldn't be clearer that they -- they can only proceed,
- 6 quote, "in accordance with the terms of their
- 7 agreement."
- 8 May I reserve the balance of my time?
- 9 CHIEF JUSTICE ROBERTS: Thank you.
- 10 Ms. Pillard.
- 11 ORAL ARGUMENT OF CORNELIA T.L. PILLARD
- 12 ON BEHALF OF THE RESPONDENT
- 13 MS. PILLARD: Thank you, Mr. Chief Justice,
- 14 and may it please the Court:
- 15 What the arbitrators did here was interpret
- 16 the contract as the parties asked them to. They did not
- 17 impose their own policy judgment. And any judicial
- 18 review is under very deferential FAA standards under
- 19 section 10, which is confined to correcting what amount
- 20 to gross defects in the process.
- JUSTICE SCALIA: Where -- where do
- 22 they say that they were interpreting the intent of the
- 23 parties, that it was the intent of the parties to permit
- 24 class arbitration?
- MS. PILLARD: Okay. Petitioners' position

1	rests	on	а	misinter	pretation	of	what.	the	arbitrato	rs

- 2 did. And if you look at page 59 of the petition
- 3 appendix, Mr. Waxman already read to you the language
- 4 that the arbitrators understood they must look to the
- 5 language of the parties' agreement to ascertain the
- 6 parties' intention.
- 7 And then the next key part is on page 50a,
- 8 which is a little terse, but let's say --
- 9 JUSTICE SCALIA: Excuse me, what part -- 50?
- 10 MS. PILLARD: 50a, the next page of the
- 11 petition appendix.
- 12 JUSTICE SCALIA: I thought you said 59a to
- 13 start.
- MS. PILLARD: No.
- 15 JUSTICE SCALIA: You said 49a.
- MS. PILLARD: 49a was where --
- 17 JUSTICE SCALIA: Right.
- 18 MS. PILLARD: -- the arbitrators described
- 19 their methodology, which is standard contract
- 20 methodology: To look to the parties' agreement, to
- 21 ascertain the parties' intention, whether they intended
- 22 to permit --
- JUSTICE SCALIA: Or to preclude.
- MS. PILLARD: -- or preclude --
- JUSTICE SCALIA: Right.

- 1 MS. PILLARD: -- class action. So they have
- 2 set up --
- 3 CHIEF JUSTICE ROBERTS: Isn't that a
- 4 critical difference, though? I mean, I understood the
- 5 fundamental question in -- before getting arbitration
- 6 is whether the parties have agreed to arbitrate this
- 7 dispute with this party.
- 8 And it's one thing to say that the contract
- 9 permitted this sort of arbitration; it's another thing
- 10 to say it didn't preclude it.
- 11 MS. PILLARD: That's right.
- 12 CHIEF JUSTICE ROBERTS: And if it didn't
- 13 preclude, the contract may not preclude -- if I agree --
- 14 I guess it's the -- well, if I agree to arbitrate with
- 15 A, it doesn't preclude me from arbitrating with B, but
- 16 nothing in the agreement compels me to do that.
- 17 So which did the arbitrators do? Did they
- 18 say, under this contract, you agreed to a class action
- 19 treatment, in the sense that -- whether it's the
- 20 language or the intent or whatever -- or did they say we
- 21 don't find anything here that precludes class action
- 22 treatment?
- 23 MS. PILLARD: Mr. Chief Justice, they did
- 24 the former. And let me point you to -- on page 50, what
- 25 they relied on was the broad language of the agreement,

- 1 the language "any disputes." And in particular, they
- 2 drew on the breadth of that language and on the fact
- 3 that many other arbitrators had read similar language to
- 4 permit class arbitration. And so those other --
- 5 CHIEF JUSTICE ROBERTS: Would you show
- 6 me this -- I see they have quoted from --
- 7 MS. PILLARD: Yes.
- 8 CHIEF JUSTICE ROBERTS: -- from the agreement.
- 9 Where is that in the agreement itself?
- 10 MS. PILLARD: The "any disputes" --
- 11 CHIEF JUSTICE ROBERTS: Yes.
- MS. PILLARD: -- language? In the agreement
- 13 itself?
- 14 CHIEF JUSTICE ROBERTS: If you know offhand.
- 15 MS. PILLARD: Is -- the agreement is
- 16 reproduced in Appendix F of the petition appendix, which
- 17 starts on page 67a, and the arbitration clause is on
- 18 page 69a.
- Now, it's clear that the arbitrators
- 20 rejected the notion that they should permit --
- 21 CHIEF JUSTICE ROBERTS: Well, this is -- I'm
- 22 sorry. This is what I was wondering. It is, of course,
- 23 any dispute arising from -- blah, blah -- performance,
- 24 termination of this charter party shall be settled in
- 25 New York.

- 1 Now, there's -- the class is not a party to
- 2 this charter party. So disputes arising from this
- 3 charter party doesn't involve the class. So they did
- 4 not agree to arbitrate with the class.
- 5 Now, as I understand what the arbitrators
- 6 did, they said, well, they didn't preclude it, and so
- 7 we get to decide how far our authority goes.
- 8 MS. PILLARD: I'd like to address that
- 9 directly, Mr. Chief Justice. The arbitrators
- 10 specifically rejected the notion that they should adopt
- 11 as -- as a default rule. And that's on page 49a. Where
- 12 we had actually argued that they should, they rejected
- 13 our argument.
- 14 Claimants argue that Bazzle requires clear
- 15 language that forbids class arbitration in order to bar
- it; the panel, however, agrees with Respondent.
- So they are saying: We are not going to do
- 18 this based on a default rule; we are going to do this
- 19 based on the language and intent. Right?
- 20 CHIEF JUSTICE ROBERTS: Well, now -- now --
- 21 I'm sorry. I'm just reading along here. They rejected
- 22 your argument about "forbids," but the -- they go on to
- 23 say: The issue -- we look at this, we look at that to
- 24 see whether they intended to permit or to preclude class
- 25 action.

1	MS.	PILLARD:	Right.
-	· ·		1019110.

- 2 CHIEF JUSTICE ROBERTS: So it's enough for
- 3 them if the parties did not intend to preclude class
- 4 action.
- 5 MS. PILLARD: I -- I respectfully disagree.
- 6 They go on and they read any disputes to authorize --
- 7 now, it's not to require class action. I think it's
- 8 important that that be clear.
- 9 It's to put the class action mechanism --
- 10 or, to read the contract, that the class action
- 11 mechanism is in the arbitrators' toolbox. It's
- 12 something that's available. It's not necessarily going
- 13 to happen, but it's something that's available. So it's
- 14 part of a delegation to the arbitrators of authority
- 15 to choose procedures. Now --
- 16 CHIEF JUSTICE ROBERTS: In -- in any -- in
- 17 any case -- when you say "arbitrators' toolbox," I'm
- 18 trying to figure out if that is something different than
- 19 what the parties agreed to.
- 20 MS. PILLARD: No, by agreeing to arbitrate
- 21 any disputes, the arbitrators found that they were given
- the authority to use class arbitration, among other
- 23 procedures, if they were appropriate in the particular
- 24 case.
- 25 JUSTICE SCALIA: It -- it seems to me

- 1 that the arbitrators are putting the choice in a false
- 2 manner. It isn't whether, on the one hand, they agreed
- 3 to permit it or, on the other hand, they agreed to
- 4 prohibit it. Just forget about the latter. They must
- 5 have agreed to permit it.
- 6 Where did the arbitrators say they agreed --
- 7 they agreed to permit it? Not simply, they did not
- 8 agree to prohibit it. You don't have to agree to
- 9 prohibit everything in a contract. You have to agree to
- 10 permit it. That's what contracting is about.
- 11 MS. PILLARD: That's right. I'd like to
- 12 point to two aspects of the opinion that I think clarify
- 13 this.
- 14 The one is their reference to the language
- on page 50a, the panel is -- and they are talking about
- 16 the language in the context of the other arbitration
- 17 precedent, or the other arbitration opinions that had
- 18 developed at that point under the AAA arbitration
- 19 scheme. And they are saying the -- they find that the
- 20 broad wording "any dispute" to be significant, and the
- 21 fact that other arbitrators looking at that language
- 22 also found "any dispute" to encompass the choice of this
- 23 procedure.
- 24 Now, I think it was Justice Alito --
- JUSTICE SCALIA: Well, no, I mean, they --

- 1 they put it just -- just the way that -- that is not
- 2 good for you. "The panel is struck by the fact that
- 3 Respondents have been unable to cite any post-Bazzle
- 4 panels or arbitrators that construed their clauses as
- 5 prohibiting a class action."
- 6 That's not what -- what they have to find.
- 7 They must find positively that it permits a class
- 8 action.
- 9 MS. PILLARD: And it's our contention -- and I
- 10 think it's clear -- that they found that it was
- 11 permitted. And when you see that following --
- 12 JUSTICE SCALIA: Just give me some language
- 13 that says that. I -- there is nothing in that paragraph
- 14 that says it.
- 15 MS. PILLARD: The -- the broad wording, the
- 16 "any dispute" -- now, they reject the notion -- they
- 17 expressly have rejected the notion that they are
- 18 supposed to do it as a matter of default.
- 19 And then I just want to address this
- 20 language, which I think could be confusing, at the
- 21 bottom of 51a, where they say they don't establish that
- 22 the parties -- this is the last paragraph on 51a: The
- 23 Respondents' evidence "does not establish that the
- 24 parties intended to preclude class arbitration."
- 25 You might read that as supporting the

- 1 argument that you are proffering. However, I believe
- 2 that the arbitrators meant that, that once they had
- 3 established under the "any disputes" language that there
- 4 was affirmative general authorization on the part of the
- 5 arbitrators to choose any procedures, to have this in
- 6 their toolbox, then in order to overcome that, you would
- 7 need to -- and the Petitioners were trying with their
- 8 maritime experts -- to show an intent to preclude.
- 9 JUSTICE SCALIA: So the only language you
- 10 can point to is that -- is that "any dispute" language
- 11 on 50a?
- MS. PILLARD: That's right, and I think
- 13 that's very important.
- 14 JUSTICE SCALIA: You are hanging your whole
- 15 -- your whole assertion that -- that these arbitrators
- 16 not only found that the contract did not prohibit it,
- 17 but found that the contract positively authorized class
- 18 action, upon that language on 50a?
- 19 MS. PILLARD: Together with the language on
- 20 49a where the panel expressly rejects the idea that all
- 21 you need is the absence of language forbidding it.
- 22 Right?
- So they've already -- they've set the issue
- 24 up exactly as you -- your hypothetical would require
- 25 them to. They've said: It's not enough to find --

1	JUSTICE SCALIA: Where where
2	MS. PILLARD: It's on 49a, the second
3	sentence under the heading of "Discussion of Parties'
4	Contentions." They say, "Claimants argue that Bazzle
5	requires clear language that forbids class arbitration"
6	
7	JUSTICE SCALIA: "Clear language" is the
8	point of that sentence. "Claimants argue that Bazzle
9	requires clear language that forbids class arbitration.
10	The panel, however, agrees with Respondents that the
11	test is a more general one. Arbitrators must look to
12	the language to ascertain the parties' intention whether
13	they intended to permit or to preclude class action."
14	MS. PILLARD: I would
15	JUSTICE SCALIA: The point of those two
16	sentences is simply that in order for us to find that
17	you didn't preclude it and if you didn't preclude it,
18	it's okay you don't need clear language. We have to
19	look to everything.
20	MS. PILLARD: I I respectfully disagree,
21	Justice Scalia.
22	JUSTICE SCALIA: Well, that's how I read
23	the two sentences.

important here is that judicial review is under a very

MS. PILLARD: But I think that what's very

24

25

- 1 deferential standard, which is confined to correcting --
- 2 CHIEF JUSTICE ROBERTS: Well, that's just
- 3 saying that they're -- they're giving up a lot. This
- 4 is the basic reason that you require, I thought, fairly
- 5 clear language that you are agreeing to arbitrate. They
- 6 are giving up their right to go into court. They have
- 7 an agreement between A and B that they will arbitrate a
- 8 dispute, and they say you are giving up your right to go
- 9 to court with the dispute between A and C.
- 10 And the "any dispute" language that you're,
- 11 you know, quite understandably relying on refers to any
- 12 dispute arising from the -- making performance or
- 13 termination of "this charter party." "This charter
- 14 party" says nothing about arbitrating with C.
- 15 MS. PILLARD: No, but this charter party is
- 16 the same agreement that the Petitioners have with every
- 17 absent class member. We wouldn't be here if every --
- 18 CHIEF JUSTICE ROBERTS: Oh, but they can
- 19 agree to arbitrate. They can agree to arbitrate with
- 20 some and not with others, even if it's the same
- 21 contract. They may decide that your client is a very
- reasonable person; they are happy to submit that to
- 23 arbitration.
- Or it's a very big and important client, and
- 25 they don't want to get into court with you. They may

- 1 decide some other party, for whatever reason, they
- 2 don't want to get dragged into court with them. Same
- 3 charter party, different -- different parties --
- 4 MS. PILLARD: But they've --
- 5 CHIEF JUSTICE ROBERTS: -- and different
- 6 results.
- 7 MS. PILLARD: Excuse me, Mr. Chief Justice.
- 8 CHIEF JUSTICE ROBERTS: Go ahead.
- 9 MS. PILLARD: They've already entered into
- 10 agreement. They've already said they are going to
- 11 arbitrate with the absent class members, so everybody
- 12 has the same contract that says "any disputes,"
- 13 and the question is: Do the arbitrators, under that
- 14 broad language, have the authority?
- And I would point this Court to the -- this
- 16 Court's decision in Mastrobuono, which read a clause
- 17 requiring arbitration of any controversy to empower
- 18 arbitrators to award punitive damages, and that was
- 19 despite established New York State law to the contrary.
- 20 JUSTICE BREYER: That's where I started
- 21 this. We don't get many contract interpretation cases,
- 22 and that's why I -- I needed to go back to Jack Dawson,
- 23 who is a great contracts professor. And I am --
- 24 JUSTICE SCALIA: I used to teach contracts.
- 25 Did you know that?

- JUSTICE BREYER: What?
- 2 JUSTICE SCALIA: I used to teach contracts.
- JUSTICE BREYER: I didn't have that
- 4 pleasure, but the --
- 5 (Laughter.)
- JUSTICE BREYER: The -- but the -- as I recall,
- 7 the way I would have interpreted -- imagine a worker who
- 8 says: I have a right, permission -- it's permissible
- 9 for me to eat lunch next to the machine. The employer
- 10 says no. The question was what is -- does the contract
- 11 permit this or not?
- 12 So the arbitrator or the judge reads the
- 13 words. Nothing. They have no idea. Then the judge or
- 14 the arbitrator reads the rest of the contract. Hasn't a
- 15 clue. Then the arbitrator or the judge goes and looks
- 16 and sees what's practice around here? "I don't know."
- 17 Then they might look to what happens in the rest of the
- 18 industry. Then they might look to what happens in
- 19 foreign countries with comparable industries. Then they
- 20 might look to public policy.
- 21 They might look almost to anything under the
- 22 sun they think is relevant, and the way, in jargon, you
- 23 describe the bottom line is: They have found a meeting
- 24 of the minds as to what this means.
- Now, of course, it isn't really a meeting of

- 1 the minds. But that's just the summary of the
- 2 conclusion as to what, objectively read, those words in
- 3 the contract mean. Now, that's how I think I would have
- 4 learned it.
- 5 Is that still done, or is there some other
- 6 way of describing it?
- 7 MS. PILLARD: I think that's pretty good
- 8 contract law.
- 9 JUSTICE BREYER: If that's contract law --
- 10 MS. PILLARD: And that's the way I understand
- 11 it.
- 12 JUSTICE BREYER: -- then I take it what
- 13 they're saying is: It may be true that the arbitrators,
- 14 when they looked at some of those elements, really got
- 15 it wrong. Now, if they are correct on that -- this is
- 16 the other question I have. You are going to say: No,
- 17 they're not -- they didn't get it that wrong; wrong,
- 18 maybe, but not that wrong.
- 19 All right. Now, can they not do this? The
- 20 next person who has this form contract does not so
- 21 readily agree it's up to the arbitrator to say whether
- 22 that contains a class action or not. Rather, they say:
- 23 I read this contract as reserving that question to the
- 24 court. It's not the same language as was there in
- 25 Bazzle; it's not the same industry of the kind you had

- 1 in Bazzle; and, therefore, a judge should decide that.
- 2 That's the meeting of the minds on the who question. And
- 3 then we'll get it all resolved, because the judge might
- 4 come out differently if they're right, and maybe
- 5 arbitrators will follow the judge.
- I'm interested, because we might have to write
- 7 something, in your answer to that question.
- 8 MS. PILLARD: I think that if they wanted to
- 9 write around it, they could do that, as this Court --
- JUSTICE BREYER: Not -- we know they're
- 11 going to -- they have something already in place.
- MS. PILLARD: Could it be interpreted to
- 13 say --
- 14 JUSTICE BREYER: Yes.
- 15 MS. PILLARD: -- this is a question for the
- 16 court?
- JUSTICE BREYER: Uh-huh.
- 18 MS. PILLARD: I think -- I don't see the
- 19 language here in this contract, but they could try to do
- 20 that. There's nothing in the FAA that bars it.
- 21 And, you know, as we've emphasized, the
- 22 contract interpretation, under ordinary contract rules
- 23 that the FAA has consistently applied in -- and this
- 24 Court has consistently applied to the FAA in -- in many,
- 25 many cases -- it's ordinary contract law we're talking

- 1 about here.
- Now, I just think one thing -- when we are
- 3 thinking about contract law, which is ordinarily in the
- 4 province of the States, I think it's important that the
- 5 New York Appellate Division, in Cheng v. Oxford Health
- 6 Plans, has since approved just such an arbitrator's
- 7 contract interpretation under New York law, allowing
- 8 class arbitration under a 1998 pre-Bazzle clause --
- 9 CHIEF JUSTICE ROBERTS: Allowing.
- 10 MS. PILLARD: -- like this one.
- 11 CHIEF JUSTICE ROBERTS: Allowing. See, that's
- 12 where I get hung up. There's a difference
- in arbitration -- and it's a fundamental difference --
- 14 between allowing something and a background rule that
- 15 requires it if you don't say anything about it.
- The difference I see with the hypothetical
- 17 Justice Breyer put is that you are talking about the
- 18 details of a contract once it's agreed there is a
- 19 contract. There's a contract that governs the
- 20 relationship between the employer and the employee, and
- 21 you're trying to figure out if it says anything about
- 22 where they eat lunch.
- 23 This is the much more fundamental issue of
- 24 whether you've even agreed to arbitrate with this
- 25 person. Is this guy your employee or just somebody who

- 1 came in off the street?
- 2 And I think what your brother's position is,
- 3 is that this is just somebody who came off the street;
- 4 the class members. I didn't agree to do anything with
- 5 them.
- 6 MS. PILLARD: Well, I think, Mr. Chief
- 7 Justice, that that goes back to whether any disputes can
- 8 plausibly be read to encompass the class mechanism,
- 9 because if it can, well, then, by agreeing to that
- 10 contract, you have, in effect, agreed to something that
- 11 delegates to the arbitrator the ability to use that.
- 12 CHIEF JUSTICE ROBERTS: So --
- MS. PILLARD: So when you picked --
- 14 CHIEF JUSTICE ROBERTS: I -- I --
- 15 MS. PILLARD: -- your arbitrator you picked
- 16 your arbitrator knowing that. And here, they had
- 17 extra notice, right, because this case had been filed
- 18 in court as a class action? They knew when they picked
- 19 these arbitrators -- and you can tell by the caliber of
- 20 arbitrators they picked -- that they knew this could be a
- 21 class arbitration, and so they are picking people who
- 22 are up to that task.
- Now, they also know that they are going to
- 24 dispute that, but if we're right that the arbitrators,
- 25 plausibly and under the -- the Marrs standard of

- 1 judicial review, have -- have sustainably interpreted
- 2 this contract to give the arbitrators the authority to
- 3 proceed on a class basis, well, then, I think your
- 4 objection --
- 5 CHIEF JUSTICE ROBERTS: Well, that's --
- 6 that's what it comes down --
- 7 MS. PILLARD: -- Mr. Chief Justice,
- 8 disappears.
- 9 CHIEF JUSTICE ROBERTS: That's what it comes
- 10 down to --
- MS. PILLARD: Right.
- 12 CHIEF JUSTICE ROBERTS: -- whether it's an
- 13 interpretation of the contract to give the arbitrators
- 14 the authority to proceed on a class basis.
- Not enough, right, under your view, if
- 16 there's nothing in there that precludes them from doing
- 17 so?
- 18 MS. PILLARD: I think that's a question of
- 19 State law. For example, under the State law at the time
- 20 in South Carolina, what the South Carolina Supreme Court
- 21 found in Bazzle was that the contract was silent, but
- 22 the -- applying two rules of contract construction,
- 23 contra proferentem -- well, one rule of contract
- 24 construction and one FAA rule, which is the Moses H.
- 25 Cone rule, the court said: We find this contract

	1	authorizes	it.	Riaht?	So	there	was	contra	proferent	e
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- There was also, which I haven't mentioned
- 3 and I should, the Moses H. Cone rule, which says when
- 4 there's any ambiguity about the scope of issues that
- 5 have been given to the arbitrator, we put a finger on
- 6 the scale in favor of giving the issue to the
- 7 arbitrator. So if it's unclear, any disputes, well,
- 8 maybe that only is about contract issues, where the
- 9 court in JLM said, no, it's antitrust, too --
- 10 CHIEF JUSTICE ROBERTS: So what -- what
- 11 happens --
- 12 MS. PILLARD: -- and the arbitrators say
- 13 procedure, too.
- 14 CHIEF JUSTICE ROBERTS: What happens if you
- 15 get the arbitrator on the stand, and he says: As we read
- 16 the contract, it doesn't say -- and nothing about the
- 17 intent of the parties leads me to believe they meant --
- 18 you may arbitrate this on a class basis, but at the
- 19 same time there is nothing in there that says you may
- 20 not. And I looked at the intent of the parties
- 21 and background rules, and nothing there says you may
- 22 not.
- What do you understand to be the answer? Can
- they proceed on a class basis or not?
- MS. PILLARD: I understand that to be

T DOMECTITING CHAC D ANDWELCA DY DEACE CONTENACE TAW	answered by State contract law	⁷ State	bу	answered	that's	something	1
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- 2 CHIEF JUSTICE ROBERTS: Yes.
- 3 MS. PILLAR: -- and it might differ from State
- 4 to State.
- 5 CHIEF JUSTICE ROBERTS: Right. It's the
- 6 background rule --
- 7 MS. PILLARD: Right.
- 8 CHIEF JUSTICE ROBERTS: -- under which you
- 9 should interpret this.
- MS. PILLARD: Right.
- 11 CHIEF JUSTICE ROBERTS: So we have to
- 12 decide, when we -- when the contract says nothing about
- 13 class actions, whether the background rule should be you
- 14 can go ahead -- or the background rule should be you
- 15 can't go ahead.
- MS. PILLARD: We, the arbitrators, decide
- 17 that --
- 18 CHIEF JUSTICE ROBERTS: Well --
- MS. PILLARD: -- not we, the United States
- 20 Supreme Court. It's a question of State contract law.
- 21 CHIEF JUSTICE ROBERTS: What the arbitrators
- 22 have already told us -- I think you disagree with it --
- MS. PILLARD: Yes.
- 24 CHIEF JUSTICE ROBERTS: -- but take it for
- 25 purposes of argument. What the arbitrators have told us

- 1 is that it doesn't say anything.
- 2 It doesn't say you can do it; it doesn't say
- 3 you can't do it. Now, assume that's true.
- 4 JUSTICE STEVENS: Well, you don't agree to
- 5 that, do you?
- 6 CHIEF JUSTICE ROBERTS: No, I know. I said
- 7 she doesn't agree with it.
- 8 But, I mean, assuming that's true, what's the
- 9 answer? Yes or no? Can they go ahead with class action
- 10 or not?
- 11 MS. PILLARD: They -- in my view, they
- 12 haven't answered that -- well, maybe they answered that
- 13 question under New York law. They have answered the New
- 14 York contract law question that was put to them.
- 15 I think they tee it up in a way that
- 16 Mr. Waxman and I agree is a valid statement of New York
- 17 contract law, which is on page 49. We look to the
- 18 parties' intent and the language to ascertain whether
- 19 they would permit or preclude --
- 20 JUSTICE STEVENS: Would you help me with
- 21 one --
- 22 MS. PILLARD: And if they have applied that
- 23 and they have found yes, I think we have to -- under the
- 24 deferential standard of review that applies under FAA
- 25 section 10, which looks only at gross defects in the

- 1 process, we have to say they have done their job, they
- 2 have found this contract authorizes the arbitrators, if
- 3 they find that it's necessary, and -- you know, we do
- 4 have a right -- this argument here, which is that they
- 5 haven't done anything. They haven't decided whether --
- JUSTICE STEVENS: May I ask a question, a
- 7 very basic, elementary questions? Where in the record is
- 8 the specific question to the arbitrators found
- 9 -- that they were asked to respond to?
- MS. PILLARD: Well, that's a good question.
- 11 In the arbitrators' own opinion?
- 12 JUSTICE STEVENS: I understand what the
- 13 arbitrators said, but is there anything in the record
- 14 that says we want you to answer this narrow question,
- 15 and if so, what is it?
- 16 MS. PILLARD: The -- what I'm looking to,
- 17 and I'm not sure this is going to be the best cite for
- 18 you, but in the Petitioners' reply brief, they say,
- 19 the -- on page 6, "The parties certainly authorized the
- 20 arbitrators to determine whether the parties intended to
- 21 permit or prohibit class arbitration." And I do think
- 22 that's an accurate statement of what the arbitrators --
- JUSTICE STEVENS: But the record does not
- 24 contain --
- MS. PILLARD: Got it.

1	JUSTICE	STEVENS:	the	specific	question

- 2 that arbitrators were asked to answer. Is that correct?
- 3 MS. PILLARD: I --
- 4 JUSTICE STEVENS: Because I haven't been
- 5 able to find it. I understand what they say they were
- 6 asked to answer, but I thought there would be some
- 7 document saying we've agreed to this supplemental
- 8 arbitration agreement, which is going to define what the
- 9 answer -- what is the question you have to answer.
- MS. PILLARD: Right. Well, the supplemental
- 11 agreement does --
- 12 JUSTICE STEVENS: Because I don't think,
- 13 that -- from what I've been able to read, I don't think
- 14 they were ever asked the question whether the agreement
- 15 authorizes class action or class procedures. They were
- 16 only asked to decide whether it either permitted it or
- 17 precluded it, but is that what the question really was?
- 18 MS. PILLARD: Now, "permitted" I think they
- 19 take to understand as "authorize," and the reason -- and
- 20 this is something that the court, in the context of
- 21 Sixth Circuit Dub Herring case, says -- they explain why
- 22 do we use the language "permit"?
- 23 We use it because they are not saying
- 24 whether we are actually going to use this power; we are
- 25 just saying this power is available to you. But I

- 1 think, for purposes of whether the contract is giving
- 2 the authority to the arbitrators, that "permitted" means
- 3 "authorized."
- 4 JUSTICE STEVENS: See, as I understand it,
- 5 in the supplemental agreement, they were asked a
- 6 question about the meaning of the underlying arbitration
- 7 agreement.
- 8 MS. PILLARD: Yes.
- 9 JUSTICE STEVENS: But I can't find what that
- 10 specific question was, which seems, to me, answers the
- 11 whole case, if we could find out what it is.
- 12 JUSTICE BREYER: There's a supplemental
- 13 agreement here because I thought --
- MS. PILLARD: Yes.
- 15 JUSTICE BREYER: -- in reading this, the
- 16 supplemental agreement submitted the case under Rule 3
- 17 --
- MS. PILLARD: Yes.
- 19 JUSTICE BREYER: -- of the AAA, and it's
- 20 supplement --
- MS. PILLARD: Yes.
- 22 JUSTICE BREYER: -- rule 3 of the AAA
- 23 supplementary rules says, an arbitrator shall, quote,
- 24 "determine, as a threshold matter, in a reasoned,
- 25 partial, final award, on the construction of the

1	arbitration	clause,	whether	the	applicable	arbitrat:	ic	n

- 2 clause permits the arbitration to proceed on behalf of
- 3 or against a class."
- 4 MS. PILLARD: Thank you.
- JUSTICE BREYER: So I thought the
- 6 supplemental agreement said --
- 7 MS. PILLARD: Thank you.
- JUSTICE BREYER: -- apply Rule 3, and
- 9 therefore, it was asking the arbitrators to decide the
- 10 question put in Rule 3. Is that right?
- 11 MS. PILLARD: I think that's correct, yes.
- 12 JUSTICE BREYER: So then we could get the
- 13 question by reading page 7 of the blue brief.
- 14 JUSTICE GINSBURG: Well, is that what's on
- 15 56a of the joint appendix, Construction of the
- 16 Arbitration Clause? That's what Mr. Waxman referred us
- 17 to?
- 18 MS. PILLARD: Yes, that's right -- 56a of the
- 19 --
- 20 JUSTICE GINSBURG: "Upon appointment, the
- 21 arbitrator shall determine, as a threshold matter."
- JUSTICE SCALIA: What page?
- 23 MS. PILLARD: Are you at -- on the buff --
- 24 in the buff joint appendix? 56a?
- JUSTICE GINSBURG: Yes. 56a.

- 1 MS. PILLARD: 56a. Exactly. It's -- I've
- 2 bracketed it here. It's under heading 3, Construction
- 3 of the Arbitration Clause.
- 4 "Upon appointment, the arbitrator shall
- 5 determine, as a threshold matter, in a reasoned,
- 6 partial, final award, on the construction of the
- 7 arbitration clause, whether the applicable arbitration
- 8 clause permits the arbitration to proceed on behalf of
- 9 or against a class."
- 10 So the question put to them is: Is it
- 11 permissible in that phase? And the question put to them
- in the next phase is: Do you actually want to use it in
- 13 the context of this case?
- 14 I did want to address the language that --
- 15 that Justice --
- JUSTICE SCALIA: May I -- you know, that
- 17 doesn't help me a lot. What does it mean, if it permits
- 18 it? I mean, I guess you could say, if there's a
- 19 background rule, that whether the parties agree to it
- 20 or not, it's okay.
- Does "permits it" mean "authorizes it"? Does
- 22 -- does that mean whether the parties have agreed to it?
- 23 Is that what "permits" mean there?
- 24 MS. PILLARD: In my view, it means it
- 25 authorizes the arbitrators to choose. We are talking

- 1 here about a question of arbitration procedure, as this
- 2 Court correctly characterized it in Bazzle.
- And, typically, what you have is an
- 4 arbitration clause that says you arbitrate any
- 5 disputes and, as this one does, it doesn't incorporate any
- 6 arbitration provider's rules; and, therefore, what you
- 7 have is the arbitrators have to select the procedures.
- 8 CHIEF JUSTICE ROBERTS: If you and I have a --
- 9 MS. PILLARD: So they're not --
- 10 CHIEF JUSTICE ROBERTS: I'm sorry.
- If you and I have a contract -- you're going
- 12 to sell me a car, and we write up a contract and we
- 13 enter into it, and it provides for arbitration if we
- 14 have a dispute. I also buy a car from Mr. Waxman, and I
- 15 Xerox that contract. It's the exact same contract.
- 16 We have a dispute, and we go to arbitration.
- 17 Can Mr. Waxman come in and say, I got the same contract,
- 18 and I've got the same dispute. Arbitrate with me, too?
- 19 MS. PILLARD: I would say that if
- 20 you have -- well, if they've chosen the arbitrator and
- 21 we have chosen the arbitrator, and it's the same
- 22 arbitrator and the arbitrator wants to put them
- 23 together, under this language, I would say the
- 24 arbitrator does have the authority to do that, yes.
- 25 CHIEF JUSTICE ROBERTS: Okay. Now, suppose

- 1 I have a contract just with you and -- to arbitrate --
- 2 or I -- I have the same contract with Mr. Waxman, but
- 3 it has no arbitration clause.
- And he says, well, the dispute is the same,
- 5 you are arbitrating that, can I come in, too, and get
- 6 bound by your decision?
- 7 MS. PILLARD: I would say no.
- 8 CHIEF JUSTICE ROBERTS: You would say no.
- 9 And the reason is?
- 10 MS. PILLARD: He doesn't have an arbitration
- 11 agreement with you.
- 12 CHIEF JUSTICE ROBERTS: Not that I -- he
- doesn't have any arbitration agreement with me or that
- it's not the same arbitration agreement?
- MS. PILLARD: He doesn't have an arbitration
- 16 agreement that has the same language, that has -- the
- 17 same or substantially similar language giving the
- 18 arbitrator the authority to use class procedures.
- 19 CHIEF JUSTICE ROBERTS: Let's say the intent
- 20 is pertinent when we enter into the contract, okay? And
- 21 there's good evidence about what you and I meant the
- 22 contract to mean, and there's not any evidence about
- 23 what Mr. Waxman and I meant the contract to mean. Say
- 24 we've got an arbitration clause in both cases.
- 25 Can we arbitrate -- can I be required to

- 1 arbitrate Mr. Waxman's contract with -- along with the
- 2 one that you and I have entered into?
- MS. PILLARD: I think your question is
- 4 getting to we have evidence of subjective intent here
- 5 and none there, but the New York law, as is the law in
- 6 many jurisdictions, is an objective intent standard, so
- 7 you look to the language as evidence of intent.
- 8 And on this intent question, I did just want
- 9 to respond to a question that Justice Alito had asked
- 10 Mr. Waxman about Mr. Persky saying there has been no
- 11 agreement that has been reached on this issue, which is
- in the joint appendix, the buff-colored appendix, on page
- 13 77a.
- 14 Now, he clarifies in the next sentence that
- 15 what he -- what he is speaking to there is there has
- 16 been no agreement to bar class arbitrations, right? But
- 17 this is in the context of disputes over whether this
- 18 maritime expert witness testimony is going to be
- 19 admitted. And I think it's very clarifying that two
- 20 pages later, at page 79a of the joint appendix, Mr.
- 21 Persky expressly makes the argument that we believe the
- 22 arbitrators adopted, which is that the arbitration
- 23 clause here contains broad language, and this language
- 24 should be interpreted to permit class arbitrations. And
- 25 at the end of the following paragraph he continues:

- 1 "Use of 'any' normally means all and includes class
- 2 arbitration" except -- "unless expressly excluded." So
- 3 he is two pages later making --
- 4 JUSTICE SCALIA: What page -- what page are
- 5 you quoting from?
- 6 MS. PILLARD: I'm -- I'm sorry. I'm quoting
- 7 from the buff-colored joint appendix at page 79a around
- 8 the middle of the page and then in the following
- 9 paragraph.
- 10 So he's clearly making the argument here,
- 11 and he doesn't make it in the brief that Mr. Waxman
- 12 cited.
- 13 And I think the arbitrators correctly
- 14 rejected the -- the Respondents' framing of that issue
- 15 and actually went further, as they say in their opinion.
- 16 They didn't think that those were adequate grounds to
- 17 rule for the Respondents, for us. They thought they had
- 18 to find an intent in the contract. And then Mr. Persky
- 19 does make that argument, which I think is the winning
- 20 argument, here on page 79a. Now --
- JUSTICE GINSBURG: May I -- may I ask
- 22 you this question? Let's assume that you prevail in
- 23 this case. I -- I would assume that the tankers are now
- 24 going to add to their contract, as many contracts do, a
- 25 provision saying no class action -- you cannot proceed in

- 1 a class action. If the arbitration agreement says
- 2 agreed to arbitrate any and all disputes, but you may
- 3 not proceed on behalf of a class, would that preclude
- 4 you from bringing a class action any place?
- 5 MS. PILLARD: I think it would if -- and if
- 6 the -- that might be the exact kind of fact situation
- 7 that if the arbitrators somehow ignored that in reading
- 8 the contract and said, oh, you -- we still have the
- 9 authority to authorize a class, that is the kind of
- 10 thing that under this very deferential standard of
- 11 review might be exceeding their powers.
- 12 JUSTICE GINSBURG: There are many, many
- 13 contracts -- and pick up your average credit card
- 14 agreement -- that will say you may not bring this as a
- 15 class.
- MS. PILLARD: Many such contracts, and
- 17 indeed there are contracts that started doing that back
- 18 in the '90s. I think the case before -- Discover Bank
- is a party that started to put express no-class-action
- 20 terms.
- 21 JUSTICE GINSBURG: But then you won't get --
- 22 you win this case, but then all the future AnimalFeeds
- lose because they'll just put in the arbitration
- 24 agreement you can't proceed on class.
- MS. PILLARD: That's right. But at least it

- 1 was incumbent on them to do that here if this was
- 2 something that they were so concerned about would be
- 3 such a burden on them. And the fact that they did not
- 4 do that, even though class arbitration has been
- 5 something that has been happening actively in California
- 6 for at least a quarter century -- this is one of the
- 7 largest, you know -- with an economy --
- JUSTICE SCALIA: Not in this industry,
- 9 however.
- 10 MS. PILLARD: I'm not so sure. I mean, we
- 11 don't have evidence that -- that it has been going on,
- 12 no, because this is a --
- JUSTICE SCALIA: Yes.
- MS. PILLARD: Thank you.
- 15 CHIEF JUSTICE ROBERTS: Thank you, counsel.
- Mr. Waxman, why don't you take 2 minutes?
- 17 REBUTTAL ARGUMENT OF SETH P. WAXMAN
- 18 ON BEHALF OF THE PETITIONERS
- MR. WAXMAN: Okay. Three points, so I will
- 20 take 25 seconds for each point.
- 21 First of all, these contracts in the class
- 22 are not all the same. These are form contracts that are
- 23 drafted by the charterers and their brokers, and they
- 24 involve different clauses, including different
- 25 arbitration clauses.

- 1 The second point, the Rule 3, I think,
- 2 fairly does encapsulate the question that the parties
- 3 presented to the Court, which is to construe the
- 4 contract, the question that the Bazzle plurality sent
- 5 back. The AAA amicus brief in this case, which I
- 6 commend to the Court, on behalf of no party says over and
- 7 over and over again, we drafted the rules to provide
- 8 procedures to answer the Bazzle contract question. We
- 9 have no opinion about the answer to the Federal
- 10 statutory question that arises if the answer to the
- 11 -- the meeting-of-the-minds question is no meeting of the
- 12 minds as a matter of contract law.
- 13 And if you find -- and much of the
- 14 discussion this morning has focused on this -- that,
- 15 well, somehow the arbitrators did just decide the
- 16 meeting-of-the-minds question, they didn't decide the
- 17 legal consequences of no meeting of the minds, then just
- 18 as in Keating and as in Bazzle, you will not be able to
- 19 reach the very important, fundamental FAA statutory
- 20 question in this case. And the next generation of
- 21 lawyers will come before you or your successors to get
- 22 it answered.
- Now, as to the contract question, I do want
- 24 to address your point, Justice Breyer, about the
- 25 toolbox. It is true that in answering the contract --

Τ	what is what did the parties intend? was there
2	really a meeting of the minds here? And, by the way,
3	let me just say that when Ms. Pillard says, well, we
4	don't know whether the parties in this industry agreed
5	or disagreed, all of the the evidence was undisputed
6	that since the days of Marco Polo the background
7	principle in maritime law has been bilateral, rigorously
8	bilateral.
9	CHIEF JUSTICE ROBERTS: Thank you, counsel.
10	The case is submitted.
11	(Whereupon, at 11:04 a.m., the case in the
12	above-entitled matter was submitted.)
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