OFFICIAL TRANSCRIPT PROCEEDINGS BEFORE

THE SUPREME COURT

OF THE

UNITED STATES

CAPTION: AIR LINE PILOTS ASSOCIATION, INTERNATIONAL,

Petitioner V. JOSEPH E. O'NEILL, ET AL.

CASE NO: 89-1493

PLACE: Washington, D.C.

DATE: January 14, 1991

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SUPREME COURT, U.S. WASHINGTON, D.C. 20543

1	IN THE SUPREME COURT OF THE UNITED STATES
2	x
3	AIR LINE PILOTS ASSOCIATION, :
4	INTERNATIONAL,
5	Petitioner :
6	v. : No. 89-1493
7	JOSEPH E. O'NEILL, ET AL. :
8	x
9	Washington, D.C.
10	Monday, January 14, 1991
11	The above-entitled matter came on for oral
12	argument before the Supreme Court of the United States at
13	10:03 a.m.
14	APPEARANCES:
15	LAURENCE GOLD, ESQ., Washington, D.C.; on behalf of the
16	Petitioner.
17	MARTY HARPER, ESQ., Phoenix, Arizona; on behalf
18	of the Respondents.
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1	PROCEEDINGS
2	(10:03 a.m.)
3	CHIEF JUSTICE REHNQUIST: We'll hear argument
4	first this morning in No. 89-1493, the Air Line Pilots
5	Association, International v. Joseph O'Neill.
6	Mr. Gold.
7	ORAL ARGUMENT OF LAURENCE GOLD
8	ON BEHALF OF THE PETITIONER
9	MR. GOLD: Thank you, Mr. Chief Justice, and may
10	it please the Court:
11	This case concerns the duty of fair
12	representation this Court has implied from the Railway
13	Labor Act and the National Labor Relations Act. In
14	particular it concerns the end of a long and bitter strike
15	well-chronicled in the press between the Air Line Pilots
16	Association and Continental Airlines and its Chief
17	Executive, Mr. Lorenzo.
18	The strike began in '83 after 1983 after
19	Continental went into bankruptcy and abrogated the
20	collective bargaining agreement between the parties. And
21	the events here concern the situation in August,
22	September, and October of 1985. At that point, the union
23	was faced with the following facts of life. One, despite
24	substantial expense and unstinting effort, the union had
25	failed to significantly affect Continental's business.

1	Secondly, Continental at that point had 1,600 working
2	pilots, either permanent replacements or crossovers, and
3	there were 1,000 strikers.
4	Third, Continental, in recognition of that, had
5	withdrawn recognition of the union. Fourth, Continental
6	had put out what was called its 85-5 vacancy bid which
7	would have tied up all the most desireable jobs in the air
8	line, the captain and first officer jobs, for the
9	foreseeable future. And finally, insofar as strikers had
10	bid for those jobs, Continental had sued to invalidate
11	those bids as fraudulent.
12	Against that background, the union, after
13	internal meetings and discussions, authorized the
14	negotiation of the a settlement. As matters turned out,
15	given the difficulties to only be expected in such a
16	bitter strike and with such a large company, the
17	settlement proceeded under the auspices of the bankruptcy
18	court, which had jurisdiction over Continental at that
19	point. After very intensive efforts, a long, complex
20	document emerged called the Order and Award which is in
21	the joint appendix.
22	QUESTION: Call the what award? The Order
23	and
24	MR. GOLD: Order and Award. Yes. It was issued
25	as an order of the bankruptcy court. It's undisputed that

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1	all but two of its terms were negotiated between the
2	parties, but it was under the auspices of the court.
3	Court had attempted as part of the reorganization as far
4	back as July to get the parties to settle this dispute,
5	because it was an obstacle to reorganization. And finally
6	it was in this October period that the union came forward.
7	
8	The court had also indicated that it wanted, if
9	it was going to put its efforts into it, to have
10	authorized representatives and to have a binding
11	conclusion to the matter. And that, too, was very much in
12	the union's interest as the negotiators saw it, because of
13	the grave distrust between the parties. It was a
14	substantial matter to the union that whatever was
15	concluded would be enforceable, because, as I say, the
16	level of distrust between Mr. Lorenzo and ALPA was
17	substantial at the time.
18	In late October this agreement as embodied in
19	the Order and Award was reached, and thereafter this
20	lawsuit followed. The lawsuit was brought by a class of
21	striking pilots alleging that the union, in taking the
22	course that it did, had violated the statutory duty of
23	fair representation.
24	After 18 months of
25	QUESTION: (Inaudible) statutory.

1	MR. GOLD: Yes. And we acknowledge that and we
2	acknowledge the bite of the duty in terms of its
3	obligations of honesty and good faith. Those those
4	aspects
5	QUESTION: But not arbitrariness?
6	MR. GOLD: Not arbitrariness in the sense that
7	the court of appeals understood arbitrariness.
8	The district court, after extensive discovery
9	and on the union's motion for summary judgment, concluded
10	that there's nothing to indicate that the union made any
11	choice other than on the best deal that the union thought
12	it could construct and on that view of the standard to be
13	applied determined that summary judgment was appropriate.
14	On appeal, the court of appeals disagreed on two
15	grounds. First, the court of appeals took the position
16	that the duty of fair representation goes not only to the
17	union's bona fides, but also provides for judicial review
18	of the substance of the union's action. As the court put
19	it, union actions must be based on relevant, permissible
20	factors and must be a rational result of such factors, as
21	rational was determined either by a judge or a jury.
22	And the court of appeals determined that a
23	finder of fact could find that the agreement put members
24	in a substantially worse position than if no settlement
25	had been made and the strike had been abandoned and

1	individuals had made unconditional offers to return.
2	In addition, the court
3	QUESTION: But would you think that that was
4	within the district court's finding that the union got th
5	best deal it could?
6	MR. GOLD: Yes.
7	QUESTION: Including no deal, in effect just
8	abandoning the strike? Is that clear? I'm not sure.
9	MR. GOLD: The well, we believe that the
10	court of appeals' opinions said that the union proceeded
11	on an honest, good-faith determination that this was the
12	best way to proceed and that that satisfied the standard.
13	The court of appeals, on the other hand as we understand
14	it, and this is the line of demarkation, said that the
15	court of the trier of fact should have determined
16	whether this deal was good enough when compared with what
17	would have happened hypothetically in the event that the
18	union had made an unconditional offer to return to work.
19	QUESTION: The best way to proceed taking into
20	account what? Is there a wade into that, the damage to
21	the power of the union that would have occurred from
22	unconditionally giving in after a long strike and bitter
23	strike?
24	MR. GOLD: The
25	QUESTION: Is that part of the factor that the

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1	union was allowed to take into account?
2	MR. GOLD: As we understand the court of
3	appeals' decision, the host of uncertainties and the
4	nature of the factors that are to I'm sorry, the role
5	of the host of uncertainties that the union and the
6	striking pilots faced and the calculus of factors that are
7	to be taken into account are both disregarded. We don't
8	know from reading the court of appeals' opinion what goes
9	into this calculus. And that is one of our prime
10	concerns.
11	QUESTION: Well, what do you think for purposes
12	of a good-faith test which you are urging? Do you take
13	into account for good faith the fact that the union was
14	looking to its national power and how that would be eroded
1.5	by losing a strike of this sort that had gone on for 2
16	years and was so bitter? Or is good faith to be
17	determined solely on the basis of what was good for the
18	members of this bargaining unit?
19	MR. GOLD: Well, it seems to us that if we reach
20	that point, and there does not seem in this case to be any
21	evidence opposing that conundrum, that the union is
22	entitled to take into account the the total situation
23	of the pilots. After all, these are people following or
24	calling with a skill, and we certainly would believe that
5	if

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1	QUESTION: To sacrifice the members of this
2	bargaining
3	MR. GOLD: Well
4	QUESTION: unit for the benefit of members of
5	other bargaining units.
6	MR. GOLD: With all deference, that isn't what I
7	said.
8	QUESTION: Well, no, I'm well, it's the way I
9	would put it. Are they and
10	MR. GOLD: No, I
11	QUESTION: I mean, it's like the word sacrifice.
12	It's not necessarily a bad thing. The union has the
13	interest of many bargaining units nationally. It might
14	well intelligently decide that we could get a better deal
15	from the employer of this bargaining unit by throwing in
16	the towel on unconditionally giving up the strike, but
17	that would impair our position nationwide and other
18	bargaining units would be hurt. Now, can they take into
19	account other bargaining units in the deal that they make
20	or must their all their actions be for the best
21	interest of the single bargaining unit at issue?
22	MR. GOLD: I think the union can take into
23	account the total labor market situation. What I started
24	to say is that if the union determines that tossing in the
25	towel would undermine its situation would undermine the

1	total situation facing pilots overall, including the
2	striking pilots, who have a calling, have a skill, and
3	will only get on in the labor market for that calling and
4	skill what the union is able to do, that would be a
5	legitimate consideration.
6	Now where one would come out if the union was
7	firmly of the view that it would advance the situation of
8	A and B somewhere else while harming these people, I find
9	a much more difficult question. But I do think that, in a
10	world in which you have competition in the product and
11	service markets for the union be forced to look only at
12	the situation of the particular unit, as if it was a
13	discrete entity, when in fact it isn't, would be to
14	wouldn't be to further the notion the court of appeals
15	had, mainly a rationality standard. It would be to
16	require the union to proceed in a way that is irrational.
17	I think we're very, very far from that on
18	anything in this case. The negotiators proceeded who were
19	out of this system's board, this master executive counsel.
20	The Continental system appeared to proceed and took their
21	view as they were trying to get the best deal that they
22	could get, not the best deal for in a different and
23	wider perspective.
24	It's our view that the court of appeals erred in
25	subjecting this agreement to this kind of substantive

1	scrutiny. We believe that the duty of fair
2	representation, as the Court said in Steele, is a duty to
3	act in behalf of all those for whom it acts without
4	hostile, namely irrelevant or invidious, discrimination
5	against them.
6	QUESTION: Mr. Gold, the court of appeals used
7	the word "arbitrary." Do you say that the that
8	arbitrary has no place in the test or that they simply
9	misunderstood the meaning of the word arbitrary?
10	MR. GOLD: We believe that they misunderstood
11	the meaning of the word arbitrary. As we detail in our
12	brief starting on page 14, the court has used different
13	formulations to delineate the scope of the duty of fair
14	representation, and the court has used the word arbitrary
15	in doing so. We believe that the fairest reading of all
16	the cases is that arbitrary in that sense means hostile
17	action against an individual or a subgroup of the
18	bargaining force.
19	In other words, the union generally processes
20	grievances by doing certain preliminary steps. An
21	individual shows that without any justification, any
22	reason, the union doesn't do those things for him and he
23	is harmed. We would think that that is arbitrary and that
24	it adds something to the concept of discriminatory,
25	because discrimination, certainly as it was used in

1	Steele, has a notion of a class-based wrong.
2	So what we would suggest is that this test is a
3	test of good faith and honesty of purpose as the Court
4	said in Ford Motor and that what arbitrary means is that
5	discrimination, which is either class based or is simply
6	inexplicable and harmful, is a wrong.
7	QUESTION: Well, Mr. Gold, that was going to be
8	my question. Suppose the union commits what in other
9	circumstances, say, in the legal profession, would be
10	malpractice. It misses a grievance deadline. But it's in
11	very good faith. It now is there liability there?
12	MR. GOLD: No, the essence of our argument is
13	that this duty doesn't create a liability for honest
14	mistakes, so
15	QUESTION: So we're talking here about a
16	standard that applies across the board, administration of
17	the contract, grievances, routine procedures, as well as
18	the more complex context of conducting bargaining?
19	MR. GOLD: Well, we make three different
20	arguments in support of our position that the court of
21	appeals was wrong here. The first is the one you've just
22	stated. The second is that at the very least this test of
23	honesty and good purpose ought to apply in the most
24	complex situations, namely the negotiation of agreements
25	or the renegotiation of agreements even if it doesn't

1	apply in what are arguably simpler cases involving
2	grievance handling.
3	And third, we argue that the court of appeals
4	was certainly wrong in terms of the way it understood
5	whatever duty of adequate representation that exists, that
6	instead of looking at the matter in terms of the practical
7	and legal uncertainties at the time, looking at the
8	situation that actually faced the union, and looking also
9	at the fact that the ultimate agreement provided for
10	benefits for the striking employees such as severance pay,
11	recall in seniority order, and so on that were not legally
12	required, that this was not an agreement which was is
13	challengeable even under a duty of care.
14	QUESTION: Well, I on duty of care, you'll
15	recall from the Rawson case where the union allegedly
16	negligently contributed to the death of mine workers, we
17	said that the union could not be sued under State law.
18	And now you're saying there's a broad immunity based on a
19	good-faith standard under Federal law. I know of
20	MR. GOLD: Well, basically
21	QUESTION: I know of no parallel in all of the
22	law, other than for sovereign immunity, which gives an
23	immunity that tests is that extensive.
24	MR. GOLD: The as we understand Rawson,
25	Justice Kennedy, the Court also said that a negligence

1	claim would not be actionable under the duty of fair
2	representation. It was not simply that it would not be -
3	- there would be an actionable State law claim. So that
4	the standard is certainly, from what we know from this
5	Court's cases, higher than negligence. But our
6	QUESTION: Mr. Gold, I had really thought that
7	our cases had spoken in terms of a reasonableness
8	component to the arbitrary standard here and that you
9	would have us read that out of the standard and limit it
10	to negotiations or actions taken in bad faith or with
11	hostility. Now, do you really find support in our case
12	law for that kind of a limitation, or don't we find that
13	the arbitrary component of Vaca against Sipes' standard
14	imports some degree of reasonableness inquiry?
15	MR. GOLD: Well, if I can, there are two things
16	I'd like to say about that. First of all, as we attempt
17	to develop in our reply brief, the wide range of
18	reasonableness language is in Ford Motor Company this
19	is at pages 2 to 4 of our reply brief. And the context
20	there was to determine whether a distinction between
21	veterans or nonveterans was a distinction which was
22	invidious and irrelevant or relevant to the union's task.
23	So the reasonableness was in setting up the
24	classifications.
25	As we point out, the Court did not go on to see

1	whether veterans got too much seniority or too little; and
2	we certainly acknowledge that, in terms of drawing
3	distinctions, there is a reasonableness component.
4	The second point I would like to make is that
5	the Lockridge case which is the last case which fully
6	explores the nature of this duty, like Steele, which was
7	the first case, talks entirely in terms of honesty and
8	good faith.
9	In terms of why there should be such a duty, if
10	I could in given Justice Kennedy's question, we believe
11	that the answer is that this is a statutory duty, and it
12	comes out of a statute whose overriding function was to
13	take judges and juries out of the substance of labor
14	relations and to put those tasks into the hands the
15	parties. We discuss and cite the H.K. Porter case and
16	Senator Walsh's famous statement there that the act takes
17	the parties to the negotiating table and leaves them
18	there.
19	To have judges and juries saying this deal is
20	not good enough, even though it was honest, even though it
21	was based on a fair judgment of the circumstances and that
22	you had to do it a different way is to get
23	QUESTION: You don't suggest that fairness has
24	any part of it, do you?
25	MR. GOLD: Well, fairness in the sense of

1	QUESTION: Is it (inaudible)
2	MR. GOLD: a duty of loyalty, fairness in the
3	sense of
4	QUESTION: I know, but you sounded like you were
5	saying substantively it was fair.
6	MR. GOLD: You mean
7	QUESTION: The terms agreed upon were fair.
8	MR. GOLD: We believe that we can meet
9	QUESTION: I know, but you don't
10	MR. GOLD: that standard, but we're
11	QUESTION: You mean judges are supposed to
12	decide whether they were fair or not?
13	MR. GOLD: Well, no. We are arguing that that
14	is precisely what labor relations is not about. There are
15	a lot of mean, unfair deals out there when you take into
16	account that the company had the power and the union had
17	less.
18	QUESTION: Oh, it you don't really you've
19	been living the unions have been living with this Vaca
20	standard for a long time, and I have noticed in all the
21	cases that come around here that you've been really hurt
22	very much by that element in it. I had thought the judges
23	thought about arbitrariness that no fool in his right mind
24	would ever have agreed to this. This is completely
25	irrational.

1	Now, that's a that's a that isn't looking
2	over the shoulders of the union or really second guessing
3	you.
4	MR. GOLD: Well, that is that is certainly
5	not the view the view you just stated is certainly not
6	the view of Vaca that the Fifth Circuit in embraced in
7	this case.
8	QUESTION: That may be. But haven't you been
9	living with the arbitrariness standard interpreted in that
10	way for a long time?
11	MR. GOLD: We have been living with a regime
12	which is going to end with this case one way or another in
13	which different courts have taken different views. The
14	Seventh Circuit, for example, has consistently taken the
15	view that I have just outlined. Other courts have been
16	back and forth, some distinguishing between negotiation
17	and some not. I do want to emphasize that
18	QUESTION: Does the Seventh Circuit go right
19	across the board with this test?
20	MR. GOLD: It had up until the Thomas case, when
21	it appeared to draw a distinction between negotiation and
22	nonnegotiation.
23	QUESTION: Well, that's the last case, isn't it?
24	MR. GOLD: I
25	QUESTION: In the Seventh Circuit?
	· ·

1	MR. GOLD: I believe there is subsequent case
2	which could be fairly read to go back the other way, but
3	I'm not positive.
4	I'd like to, if I could, save a moment or two
5	for rebuttal.
6	QUESTION: Very well, Mr. Gold.
7	Mr. Harper, we'll hear now from you.
8	ORAL ARGUMENT OF MARTY HARPER
9	ON BEHALF OF THE RESPONDENTS
10	MR. HARPER: Mr. Chief Justice, and may it
11	please the Court:
12	We are here on a court of appeals reversal of
13	summary judgment, and in analyzing this case, we cannot
14	overlook that fact. The Fifth Circuit Court of Appeals,
15	in reversing the district court, correctly applied the
16	summary judgment standards of the Fifth Circuit and of
17	this Court.
18	In addition, in analyzing the union's conduct,
19	the Fifth Circuit court of appeals applied the three-
20	prong standard set forth in Vaca v. Sipes, which has been
21	around and the unions have been dealing with for 24 years
22	What the union wants to do today is to convince the Court
23	to change the law so that it can avoid liability to 1,400
24	striking pilots who remained out on strike for 2 years.
25	In essence, what the union wants is a standard

1	of conduct that is based upon subjective hostility. In
2	other words, they want to be immune from having their
3	substantive decisions reviewed at all.
4	It should not come as any surprise to the Court
5	
6	QUESTION: What do you think the word
7	"arbitrary" suggests to courts of appeals? Is are they
8	supposed just to say, well, the union is guilty or is
9	liable because we wouldn't have done what they did?
10	MR. HARPER: Your Honor, I don't think it's that
11	complicated at all.
12	QUESTION: (Inaudible) not answering my question
13	
14	MR. HARPER: What arbitrary means I believe,
15	Your Honor, is simply the question as to whether a
16	reasoned decision was needed and whether a reasoned
17	decision was made. And in deciding that, what needs
18	QUESTION: The court is permitted to say, well,
19	we wouldn't have done it this way because we don't think
20	it was reasonable?
21	MR. HARPER: Absolutely not, Your Honor. And
22	second-guessing is not what the court
23	QUESTION: What are they what should they say
24	then?
25	MR. HARPER: They should look at the decision,
	19

1	Your Honor, and try to find out and look at what the
2	relevant factors were that the union officials considered
3	in making a decision and then determine if the decision
4	was based upon an in fact consideration of those factors.
5	And if in fact the judgment or conduct is not based upon a
6	reasoned consideration of relevant union factors, then the
7	conduct is arbitrary. But this
8	QUESTION: How's that any different than
9	negligence?
10	MR. HARPER: It's a higher standard, Your Honor,
11	than negligence.
12	QUESTION: Well, you say so. But how do you
13	distinguish between a negligently conducted negotiation
14	and an arbitrary one?
15	MR. HARPER: You have to look at the factors,
16	Your Honor, that went into the conduct that the union
17	followed and look at the actual circumstances that were
18	taken into consideration which were going to be numerous,
19	and then balance to see if the decision was made based
20	upon a rational consideration of those factors.
21	QUESTION: Because
22	MR. HARPER: That's a higher standard than
23	simply breaching the breaching a duty or a negligence.
24	QUESTION: Well, it may not have a community
25	standard of care component. I suppose that's the only

1	difference. I find it very, very difficult to distinguish
2	the two.
3	MR. HARPER: Those are difficult items to
4	distinguish, Your Honor, and what we are dealing with is a
5	continuum of arbitrariness, and there comes a point in
6	time like in the Rawson case where this Court has decided
7	that an allegation based upon pure negligence is not
8	sufficient to staying a breach of duty of fair
9	representation. But an allegation based upon conduct that
10	is more serious than that, not taking into consideration
11	relevant factors, and then moving off and making the
12	decision that's not based upon those factors, it's
13	arbitrary, Your Honor.
14	QUESTION: Mr. Harper, would you standard
15	require detailed examination of how the union officials
16	went about reaching this agreement? You say it has to
17	have they have to must have considered all the factors.
18	That opens up, I presume, just, you know, what went on at
19	the meetings of the officials who were given the
20	responsibility for trying to settle the thing.
21	MR. HARPER: Mr. Chief Justice, it would require
22	the plaintiffs in this type of situation to identify as
23	best they can through discovery and the trial the factors
24	that were actually in fact considered by the union
25	negotiators or the union officials when they made a
	21

1	decision and then would have to go step further to
2	demonstrate whether or not the decision was based upon a
3	consideration of those factors.
4	In this case, what has happened, Your Honor, is
5	many of the arguments that have been advanced here to
6	justify what the union did are post hoc arguments of
7	counsel.
8	QUESTION: What if a court reviewing the union's
9	conduct feels, yes, the union considers all considered
LO	all the factors that it said it was going to consider.
11	But in the view of the court there was a factor that it
12	should have considered but didn't.
13	MR. HARPER: Your Honor, the court does not
14	substitute as judgment for that and if you go back to the
1.5	case here, the O'Neill case, and look at the basis upon
16	which the Fifth Circuit rendered its opinion, which is the
17	Tedford opinion, you will find exactly that sort of
18	analysis in the Tedford opinion. In the Tedford opinion,
19	there are a couple of judgments that the union officials
20	could have made. The court of appeals went out of its way
21	to say we are not going to select whether or not it was
22	correct for the union to do one or the other. All we're
23	going to do is to analyze that the decision that was made
24	to ensure it was based upon relevant factors and that
25	the judgment was based upon relevant factors. If it is,

1	it would be arbitrary.
2	QUESTION: And if a court says we see a factor
3	we think the union should have considered. The union
4	didn't purport to consider it, it didn't consider it, that
5	would allow it to set aside the decision?
6	MR. HARPER: Not necessarily, Your Honor.
7	QUESTION: But it's a possibility?
8	MR. HARPER: The trier of fact may find that in
9	the totality of the circumstances, the union didn't act
10	rationally or reasonably in going about the decision that
11	it made. Take into consideration factors as evidence that
12	the union officials might not have considered which would
13	support the conclusion by the trier of fact that the
14	conduct was arbitrary.
15	QUESTION: But of course if you say the union
16	didn't act reasonably, that isn't far from a negligence
17	standard, is it?
18	MR. HARPER: Under some circumstances, Your
19	Honor, in this area it the line starts to fuzz. Well,
20	we do not believe
21	QUESTION: Well, you could could you live
22	with a standard that says that the court should ask if any
23	rational union negotiator could possibly have come to this
24	conclusion?
25	MR. HARPER: We're not

1	QUESTION: Which is certainly more a that's a
2	that gives them a lot more room than insisting that
3	they have to be reasonable.
4	MR. HARPER: Your Honor, all we are are our
5	position is that all we need to have is an obligation upon
6	these union officials to consider relevant facts and make
7	a decision based upon those.
8	QUESTION: Well, if a union if the court
9	thinks a that there are factors a union they think
10	the union didn't consider, shouldn't they also ask, well,
11	would any rational person could any rational person
12	have put those factors aside?
13	MR. HARPER: That's a relevant consideration
14	when you evaluate at the trial level the conduct of the
15	union. In this case, for example, the record does
16	shows or demonstrates that during the critical negotiation
17	the individuals who made the decision did not consider an
18	unconditional offer to return to work as a viable
19	alternative before they decided to settle with Continental
20	under the terms and conditions that they did. That is
21	evidence of arbitrary conduct, we (inaudible).
22	QUESTION: Mr. Harper, the word arbitrary is not
23	a really a new one for us. We've been using it for
24	half a century to review agency action under the
25	Administrative Procedure Act. I think Mr. Gold has

1	probably asked us to use it a number of times in that
2	context arbitrary, capricious, and abusive discretion,
3	or otherwise not in according to the law. Do you think
4	that its meaning here in reviewing union action is about
5	the same as its meaning in reviewing agency action under
6	the Administrative Procedure Act?
7	MR. HARPER: I think it's very close to that,
8	Your Honor. In those types of considerations, you look
9	at, if, for example, an agent head of an agency has
10	changed a policy and in order to have that act
11	substantiated, there has to be some explanation, for
12	example, as to why that policy was changed. That's
13	fundamentally the same sort of analysis that we think is
14	appropriate here.
15	QUESTION: And a court may think it's wrong but
16	still not think that it's arbitrary.
17	MR. HARPER: Absolutely, Your Honor
18	QUESTION: I see.
19	MR. HARPER: if in fact the decision has
20	considered relevant factors. It may be wrong. It may be
21	atrocious, as the district court said here. It may be
22	beyond what is reasonable as the chief negotiator said
23	here. It may have if it's wrong and the process is
24	intact, then the conduct would still be considered to be
25	nonarbitrary, and as a result there's no liability

1	associated with it.
2	QUESTION: Do you think the Fifth Circuit was
3	true to that position?
4	MR. HARPER: I think it absolutely was, Your
5	Honor. What they did was on summary judgment look at the
6	record, which the trial court never did, and determine,
7	based upon the review, that there were substantial facts
8	in dispute
9	QUESTION: There was a triable issue of fact
10	about arbitrariness.
11	MR. HARPER: And
12	QUESTION: And about discrimination.
13	MR. HARPER: And discriminatory. And all they
14	did is leave it for the trial court to decide, based upon
15	an appropriate standard, whether the conduct by the union
16	breached the duty of fair representation. That's all the
17	Fifth Circuit did.
18	QUESTION: Whether there was enough evidence in
19	the record that somebody could have concluded that it was
20	arbitrary, defined in the right way.
21	MR. HARPER: That's correct and we haven't
22	gotten there yet, Your Honor. This is on summary
23	judgment, and I think that the Fifth Circuit did exactly

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the right thing in leaving the ultimate issues as to

whether or not this was a breach of the duty fair

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1	representation until trial.
2	QUESTION: Mr. Harper, is there a genuine issue
3	of material fact here as to whether the union acted in bad
4	faith?
5	MR. HARPER: Your Evidence, there's evidence in
6	the record and inferences that can be drawn from the
7	evidence in the record at this particular time that in
8	fact the union did act in bad faith. And also that they
9	acted in a discriminatory manner and in an arbitrary
10	manner, and all of those items are included or
11	QUESTION: Did the Fifth Circuit review the
12	evidence with an eye toward the bad-faith allegation?
13	MR. HARPER: It does not appear from the record,
14	Your Honor, that the court did that, but I don't think
15	that the Fifth Circuit Court of Appeal purported to look
16	at all of the items of conduct that this union engaged in
17	and to make a conclusive decision on all elements at the
18	summary judgment level.
19	QUESTION: Mr. Harper, may I ask you two
20	questions? First, is it your position that if the record
21	showed that the union did consider what which would be
22	better, the settlement or a surrender, an outright return
23	to work, they considered it, but they came to an erroneous
24	conclusion on the issue, you would lose?
25	MR. HARPER: If that was the only judgment, Your

1	Honor, that was involved in this case, then the answer
2	would be yes.
3	QUESTION: So it's not critical for us to decide
4	whether this was a worse deal than a return to
5	MR. HARPER: Absolutely not.
6	QUESTION: But it is critical to decide whether
7	they considered it. And is it your position on that that
8	the record is absolutely clear based on admissions by the
9	union that they didn't or a total absence of evidence of
10	any discussion of it?
11	MR. HARPER: Your Honor, based upon the record
12	as we developed it through deposition testimony and
13	through the gleaning of notes and records that the
14	negotiators that we were entitled to depose, they did not
15	consider at that critical point in time the unconditional
16	offer to return to work.
17	I'd like to point out to the Court
18	QUESTION: But I'm asking you do you say that
19	because there's a failure of in absence of any evidence
20	showing they did discuss it or is there evidence of an
21	admission that they did not discuss it? Which is it?
22	MR. HARPER: There's evidence of the admission
23	that they did not consider it at this point at the
24	point in time.
25	QUESTION: I see. Do you refer to that evidence
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1	in your brief?
2	MR. HARPER: Yes, we do, Your Honor, through the
3	attachments, and it's probably set forth in a little bit
4	more detail in connection with a motion for
5	reconsideration.
6	QUESTION: And I'd like to point out for the
7	Justice that, you know, our discovery got stopped along
8	the way. So the discovery at this particular point in
9	time is far from being completed. We focused only on the
10	pilot negotiators who made the decision or were involved
11	in the decision at the end to settle the strike.
12	QUESTION: I thought the burden of the argument
13	in your brief was that the settlement was much worse than
14	a return to surrender, but you don't really rely on that?
15	MR. HARPER: No, we don't, Your Honor.
16	QUESTION: I see.
17	MR. HARPER: But in fact it is. And again it
18	would be evidence at trial.
19	QUESTION: But we don't have to resolve that in
20	order to decide this case.
21	MR. HARPER: Not at this not at this level,
22	Your Honor. Not at all.
23	QUESTION: Mr. Harper, are you saying that in
24	affirming the result below as you want us to do, we could

do so consistently with your position and still repudiate

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1	the second of the factors which the court of appeals
2	considered? In other words, could you get where you want
3	to go and in fact are you arguing that you should get
4	where you want to go by having us hold that the court of
5	appeals was correct in saying that a non-arbitrary
6	decision must be based on relevant factors, but repudiate
7	that second part of the test in which the court of appeals
8	was saying that it must also be a rational result of
9	considering those factors? Do you want to jettison point
10	2 and still win?
11	MR. HARPER: We are not claiming and our
12	position is that we have to focus on the result. What our
13	what our argument is and it must be a rational
14	consideration of those factors and the judgment based upon
15	that
16	QUESTION: But if
17	MR. HARPER: and the result is only evidence,
18	Your Honor, of the conduct that the union negotiators
19	engaged in.
20	QUESTION: Well, then I guess I'm having the
21	same trouble then that I think has been expressed earlier
22	in this argument. You apparently want us to go beyond or
23	want courts to go beyond a finding that the appropriate
24	factors were considered. You want us you want the
25	courts to intrude to some degree into a an assessment

1	of the results achieved by considering those factors,
2	don't you?
3	MR. HARPER: Yes, Your Honor.
4	QUESTION: And are you satisfied going back
5	to Justice White's question, would you be satisfied if the
6	Court stopped at saying this is one possible result within
7	the realm of reasonableness so that if that test were
8	satisfied, that would be the extent of the Court's
9	scrutiny?
10	MR. HARPER: And if it's one possible result
11	based upon a the analysis that we have urged the Court,
12	and if the that determination then is that it's
13	nonarbitrary because of the process that went through,
14	then the results would be okay.
15	QUESTION: But that involves more than just
16	considering all the factors. There are certain boundary
17	beyond which your consideration, even if you've considered
18	them all, your conclusion is just arbitrary. I mean, a
19	man comes up to you and puts a gun to your head and says,
20	your money and your money or your life, and you
21	consider it very carefully and you say my life.
22	(Laughter.)
23	QUESTION: I mean, that's that's ridiculous,
24	isn't it? Just because you've considered that
25	MR. HARPER: The two choice, Your Honor.

1	QUESTION: Yes. Can't you reach a conclusion
2	that is nonetheless arbitrary even if you've considered
3	both?
4	MR. HARPER: That you can, Your Honor, and
5	that's why I think that there's more to it in the duty of
6	fair representation, because there are in contexts like
7	this, there are a number of things that the union
8	negotiators are going to take into consideration in
9	arriving at the conclusion that they arrive at. As long
10	as those factors are relevant factors and the basis is
11	the decision is based on that.
12	QUESTION: Can I ask you the same question I
13	asked Mr. Gold? Is one of the relevant union factors
14	are all the relevant union factors only factors that
15	relate to this bargaining unit, or can the union in effect
16	say, well, this result may be better for this bargaining
17	unit but we have other fish to fry?
18	MR. HARPER: The union, Your Honor, has a duty
19	to represent under the Railway Labor Act the members of
20	this craft or class, and their conduct has to be a on
21	behalf and the benefit for the craft or class. So for the
22	most part
23	QUESTION: But that's not just the bargaining
24	unit. That craft or class in other bargaining units as
25	well, no?

1	MR. HARPER: In this case, Your Honor, the craft
2	or class were the Continental pilots at Continental Air
3	Lines.
4	QUESTION: Not pilots at large in other airlines
5	as well?
6	MR. HARPER: And what the problem is, Your Honor
7	
8	QUESTION: Well, I
9	MR. HARPER: if you go beyond the class or
10	craft, you're
11	QUESTION: Let's make it clear what I'm asking
12	you. Suppose the union says it will be better for this
13	bargaining unit, but we will just get clobbered in later
14	negotiations with other airlines. Our other pilots will
15	be harmed if we simply, after a 2 years' worth of a bitter
16	strike, throw in the towel. Net given all the pilots
17	that we have to represent, it's better for all of them
18	that this bargaining unit may not do as well, but we come
19	to a negotiated end to the strike rather than simply
20	abandoning it. Is that is that a reasonable decision?
21	MR. HARPER: It may not be, Your Honor, because
22	the problem with that is that that craft or class becomes
23	a minority group within a larger class, and they run the
24	risk, if they don't have this broad duty of fair
25	representation, of being treated very badly in a

1	discriminatory and arbitrary way by the union.
2	QUESTION: So you say the reasonable factors
3	that can be taken into account are only factors relating
4	to the particular bargaining unit to which the
5	negotiations pertain?
6	MR. HARPER: And what benefits them and what the
7	union needs to do on their behalf in the context of that
8	particular representation.
9	QUESTION: The union cannot make a sort of
10	command decision, saying we realize we're not doing very
11	well by the Continental pilots and we could do better, but
12	the long-run interest of the airline pilots we represent
13	with all the other airlines would be served by this deal
14	that doesn't do very well for Continental?
15	MR. HARPER: Those are considerations that the
16	union might take into consideration, Your Honor, with
17	respect to representing the craft or class
18	QUESTION: Well, but it's
19	MR. HARPER: but they can't override.
20	QUESTION: I think you can give a better give
21	a yes or no answer to something like that. It seems to me
22	you're quite nebulous on the point, unless you intend to
23	be nebulous.
24	MR. HARPER: I don't intend to be nebulous at
25	all, Mr. Chief Justice. The in this case the union

1	should have taken into consideration only those factors
2	that benefit this craft or class.
3	QUESTION: Well, okay, but answer a hypothetical
4	question. The union decides that the proposed deal we're
5	about to enter into with the for the Continental pilots
6	is not the best we could do for them, but if we don't take
7	this, we are going to greatly harm pilots with American,
8	United, all the other airlines we so we're going to
9	have to sacrifice a little bit of the interest of the
10	Continental pilots in order to help all of the pilots we
11	represent. Can it do that?
12	MR. HARPER: Not to the detriment of the craft
13	or class that they're representing, Your Honor.
14	QUESTION: Well, but that doesn't I think you
15	could answer the question yes or no and then explain if
16	you want to. By hypothesis it is to the detriment of the
17	Continental pilots.
18	MR. HARPER: And then that conduct, Your Honor,
19	could be made. It could be bad faith, it could be
20	discriminatory, and it could be arbitrary in the way that
21	they go about making that decision. Because they're
22	putting motives and events that are beyond what is on
23	in the best interest of the craft or class in these
24	negotiations, and that is a breach of the duty of fair
25	representation.

1	QUESTION: You say it could be arbitrary, but is
2	it as a matter of law arbitrary when they rely on the
3	factors the Chief Justice described?
4	MR. HARPER: I would say no, Your Honor.
5	QUESTION: It's not arbitrary?
6	MR. HARPER: Let me it would I'm sorry
7	if they put the national interest above?
8	QUESTION: Yes.
9	MR. HARPER: It would be arbitrary conduct.
10	QUESTION: As a matter of law in every case?
11	MR. HARPER: Uh
12	QUESTION: Counsel, do you do you think the
13	court of appeals applied the test they set down in the
14	Tedford case?
15	MR. HARPER: Yes, I do, Your Honor.
16	QUESTION: Well, that test is a three-part test
17	that says to be nonarbitrary the decision must be based
18	upon relevant, permissible union factors; second, a
19	rational result of the consideration of these factors; and
20	three, and inclusive of a fair and impartial consideration
21	of the interests of all employees. So do you think that -
22	- you think a court has to get to the issue of fairness
23	with respect to the various groups of employees?
24	MR. HARPER: In some regard they have to
25	QUESTION: Well, this is what the Tedford

1	test is, and that's what the court of appeals applied so
2	they have a free wheeling they can just decide whether
3	it's fair or not, is that it? Non-arbitrary?
4	MR. HARPER: No. It's part of the three-step
5	procedure and analysis that the Tedford court requires,
6	and in this case the results are evident, Your Honor, that
7	the conduct was arbitrary because it was worse than an
8	unconditional offer to return to work.
9	QUESTION: Well, literally, this test means that
10	the union even if the union took considered all
11	relevant factors and gave rational consideration to it,
12	nevertheless, they might be unfair, an unfair result.
13	MR. HARPER: In this case, the result I don't
14	know if it's unfair, Your Honor, but it has been
15	characterized by the chief pilot negotiator as beyond what
16	was reasonable, has been characterized by him as
17	bastardizing forever the seniority system, and has been
18	characterized by the district court as being atrocious.
19	Now if that's the same as being unfair, then those are the
20	ways it has been characterized.
21	QUESTION: I take it you have a right to jury
22	trial under that Terry case?
23	MR. HARPER: Yes, Your Honor, as a result of the
24	Terry opinion.
25	OHESTION: Then reasoning backwards I suppose

1	it neips your position that we have to have a standard
2	that manageable for the jury.
3	MR. HARPER: Absolutely. There has to be a way
4	
5	QUESTION: It's backwards reasoning, but I think
6	perhaps we're compelled to engage in it.
7	MR. HARPER: And that's all that what
8	happens, Your Honor, in cases like suits against
9	fiduciaries, trustees, officers and directors of a
10	corporation, or governmental agents, you have to be able
11	to describe for the jury or the trier of fact where the
12	conduct crosses the line. And that's why I submit
13	QUESTION: I don't know that a jury could
14	manageably consider an APA-type Administrative
15	Procedure Act-type of standard as to whether or not they -
16	- the unit acted rationally. I don't know if the jury is
17	capable of doing that.
18	MR. HARPER: Justice Kennedy, the jury is
19	capable though of making key decisions in antitrust,
20	securities, breach of contract suits, and Justice Stevens
21	has mentioned just last term that the reality of the
22	employment relations are typical grist for a jury
23	judgment. So, in fact, it is our position that, given the
24	correct instructions of law by the court, that it is
25	perfectly a jury is perfectly capable of judging the

1	conduct engaged in by a union.
2	I'm getting close to the end. One thing I would
3	like to point out here that we have not talked about
4	QUESTION: Mr. Harper, before you do that, let
5	me get this relates to what the Chief Justice was
6	asking you about. All of your clients are union members
7	in this case, isn't that right?
8	MR. HARPER: That's correct, Your Honor.
9	QUESTION: Now, I can understand why a non-
10	union member might have a cause for feeling aggrieved if
11	the union didn't take it into account, exclusively the
12	interest of his bargaining unit. But all your union
13	members join this union knowing it was an industrywide
14	union that, you know, one for all and all for one. They
15	get some benefits from joining an industrywide union.
16	They could have had a union just for that shop, couldn't
17	they?
18	MR. HARPER: That's correct.
19	QUESTION: Just a special union for Continental.
20	But they chose to join ALPA in order to have the benefit
21	of an industrywide union. Now doesn't there go along with
22	that the understanding that the union's going to bargain
23	in the interest of the whole industry, not not in the
24	interest of just this bargaining unit?
25	MR. HARPER: They're going to bargain on behalf
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1	of the craft, Your Honor, and that the craft's interest
2	has to come ahead of the national interest of the
3	QUESTION: But they have obligations they
4	have obligations to these other units as well, don't they?
5	MR. HARPER: Absolutely.
6	QUESTION: Can they settle this one to the
7	detriment of the other ones?
8	MR. HARPER: No, Your Honor, they cannot do
9	that.
10	QUESTION: They can't do that and yet they can't
11	take it into account either.
12	MR. HARPER: I'm sorry. I misunderstood your
13	they can't settle it to the disadvantage of this
14	particular craft, Your Honor.
15	QUESTION: They could if they had a multi-
16	employer bargaining unit, but they do not.
17	MR. HARPER: We do not have that here, Your
18	Honor. This is the master executive counsel for only the
19	craft of pilots at Continental Air Lines.
20	And, Justice Scalia, one I think what
21	demonstrates where there is a real problem here with these
22	pilots being represented by their union is in the super-
23	seniority aspects of it. Because there the union did go
24	beyond what was in the best interest of their pilots and
25	they gave away to the non-striking pilots future vacancies
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1	to the detriment, the serious detriment, of the pilots who
2	have been out on strike for 2 years. And that's why we
3	have to look at this thing as conduct that breaches the
4	arbitrary standard, the discriminatory standard, and the
5	bad-faith standard. And that has been the standard that
6	this Court has articulated for 24 years, and we think it
7	ought to be the standard that applies here.
8	We ask this Court, with the Solicitor, to hold
9	that the union leadership add full-scale responsibilities
10	to its members. We ask you to decide, as the Fifth
11	Circuit did, that there was enough evidence in the record
12	to show that the union defaulted on these responsibilities
13	so that a trier of fact is entitled to pass upon that
14	question. We ask this Court to conclude that the no
15	union leadership is above the law, immune to the law, or
16	should be permitted to be indifferent to the law. The Air
17	Line Pilots Association is not immune from its
18	responsibilities which goes with that control.
19	QUESTION: Could I ask you do you read the
20	court of appeals' opinion as saying that the that
21	there's evidence of discrimination as an independent
22	reason for reversing the district court?
23	MR. HARPER: Absolutely, Your Honor. Towards
24	the end of the opinion, on the second or third page from
25	the end, the court of appeals addresses that specifically

1	and says that there's substantial evidence in the record
2	to suggest that the union acted in a discriminatory way,
3	and it's left up to the trial for the point in time for
4	the union is to answer why it did.
5	QUESTION: What do you think discrimination
6	means in that sense? Is it it's intentional
7	discrimination? Invidious discrimination or hostile or
8	what is it?
9	MR. HARPER: It's conduct that is not based upon
10	the best interest of the unit and disadvantages an
11	individual or a group within the unit. It can't be based
12	upon irrelevant considerations like race, when the DFR
13	first started back in Steele. And we think that the
14	decision here on the super-seniority issue to give up the
15	future spaces to the non-strikers is a fundamental right
16	that these strikers had upon the return to work, and
17	without any justification, and if in fact justification is
18	even permitted, these this union acted
19	discriminatorially towards these pilots by giving those
20	away.
21	Thank you.
22	QUESTION: Thank you, Mr. Harper.
23	Mr. Gold, do you have rebuttal? You have 3
24	minutes.

REBUTTAL ARGUMENT OF LAURENCE GOLD

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ON BEHALF OF THE PETITIONER 1 2 MR. GOLD: Thank you, Chief Justice. It seems to me that the last point Mr. Harper 3 made is very important in terms of understanding what the 4 court of appeals did and what arbitrary means. The whole 5 6 discussion in the court of appeals and here is that the strikers were entitled to these so-called 85-5 bids. 7 8 There was no case law at the time on the status of vacancy 9 bids and when a position is filled and when it isn't in 10 the complexities of the bargaining unit. The court of 11 appeals made that decision as if the union knew what the 12 The court of appeals made it for it after the 13 fact at the point where the negotiators could not. 14 Is this on the discrimination point? QUESTION: 15 MR. GOLD: It is on both the arbitrariness of 16 the settlement and on the discrimination point. With 17 regard to the discrimination point, the court of appeals 18 relied on a very expansive reading of Erie Resistor, which 19 this Court later rejected in the IFA case just last year. 20 So, this would --21 What case last year, Mr. Gold? OUESTION: 22 MR. GOLD: Trans World Air Lines v. Flight 23 Attendants. I think it's 489 U.S. 24 OUESTION: But what did the district court 25 assume on that point? Mustn't the district court have

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1	assumed that the union was uncertain as to what involved?
2	MR. GOLD: Yes.
3	QUESTION: Well, is it entitled to do that on a
4	motion for summary judgment?
5	MR. GOLD: I don't think it assumed it. There
6	were 1,600 pages of deposition records or the motion for
7	summary judgment showing that the union was proceeding on
8	the basis that this wasn't locked up, that it was dealing
9	with a hostile employer, and that making a deal was the
10	best course. That was his finding viewed that that was
11	indisputed. But
12	QUESTION: But that was controverted, wasn't it?
13	And wasn't among the things controverted, wasn't the
14	certainty of the law one of the controverted matters?
15	MR. GOLD: But are we going to be in a position
16	where the certainty of the law is to depend on whether a
17	jury says that a single district court decision somewhere
18	else makes the law certain? I don't think that at all the
19	court the district court was right in terms of
20	understanding that there was uncertainty, and the union
21	was proceeding on the basis of uncertainty.
22	QUESTION: Whether there's uncertainty is not
23	the issue. On your theory, the issue is whether the union
24	itself was uncertain. That that's a good faith
25	MR. GOLD: Well, that was not disputed. The

1	only dispute the court of appeals decided that it was
2	certain, not that the union was not uncertain. By the
3	same token, we're having a discussion here, and Mr. Harper
4	insists on having a discussion, whether this deal was
5	better or worse than an unconditional return to work. The
6	master executive counsel voted against an unconditional
7	return to work before the negotiators went to negotiate.
8	And that's simply part of the problem of having
9	QUESTION: I think you've answered the question.
10	MR. GOLD: Okay.
11	CHIEF JUSTICE REHNQUIST: The case is submitted.
12	(Whereupon, at 11:03 a.m., the case in the
13	above-entitled matter was submitted.)
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CERTIFICATION

Alderson Reporting Company, Inc., hereby certifies that the attached pages represents an accurate transcription of electronic sound recording of the oral argument before the Supreme Court of The United States in the Matter of:

NO. 89-1493 - AIR LINE PILOTS ASSOCIATION, INTERNATIONAL, Petitioner V. JOSEPH E. O'NEILL, ET AL.

and that these attached pages constitutes the original transcript of the proceedings for the records of the court.

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