MAJOR LEAGUE BASEBALL PLAYERS ASSOCIATION

v.

Steve GARVEY

532 U.S. 1015 (2001)

PER CURIAM.

The Court of Appeals for the Ninth Circuit here rejected an arbitrator's factual findings and then resolved the merits of the parties' dispute instead of remanding the case for further arbitration proceedings. Because the court's determination conflicts with our cases limiting review of an arbitrator's award entered pursuant to an agreement between an employer and a labor organization and prescribing the appropriate remedy where vacation of the award is warranted, we grant the petition for a writ of certiorari and reverse. . . . .

[In the late 1980s, arbitrators found collusion by the Major League Baseball Clubs (Clubs) in the market for free-agent services and damages to the players represented by the petitioner, Major League Baseball Players Association (Association). The Association and Clubs entered into a Global Settlement Agreement (Agreement), which established a $280 million fund to be distributed to injured players. The Association also designed a "Framework" to evaluate the individual player's claims.]

The Framework provided that players could seek an arbitrator's review of the distribution plan. The arbitrator would determine "'only whether the approved Framework and the criteria set

forth therein have been properly applied in the proposed Distribution Plan.'" Garvey v. Roberts, 203 F.3d 580, 583 (9th Cir. 2000) (Garvey I). The Framework set forth factors to be considered in evaluating players' claims, as well as specific requirements for lost contract-extension claims. Such claims were cognizable "'only in those cases where evidence exists that a specific offer of an extension was made by a club prior to collusion only to thereafter be withdrawn when the collusion scheme was initiated.'" Id., at 584.

Respondent Steve Garvey, a retired, highly regarded first baseman, submitted a claim for damages of approximately $3 million. He alleged that his contract with the San Diego Padres was not extended to the 1988 and 1989 seasons due to collusion. The Association rejected Garvey's claim in February 1996, because he presented no evidence that the Padres actually offered to extend his contract. Garvey objected, and an arbitration hearing was held. He testified that the Padres offered to extend his contract for the 1988 and 1989 seasons and then withdrew the offer after they began colluding with other teams. He presented a June 1996 letter from Ballard Smith, Padres' President and CEO from 1979 to 1987, stating that, before the end of the 1985 season, Smith offered to extend Garvey's contract through the 1989 season, but that the Padres refused to negotiate with Garvey thereafter due to collusion.

The arbitrator denied Garvey's claim, after seeking additional documentation from the parties. In his award, he explained that "'[t]here exists ... substantial doubt as to the credibility of the statements in the Smith letter.'" Id. at 586. . . .

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Garvey moved in Federal District Court to vacate the arbitrator's award, alleging that the arbitrator violated the Framework by denying his claim. The District Court denied the motion. [The Court of Appeals for the Ninth Circuit reversed by a divided vote, holding that review of the merits of the

arbitrator's award was warranted in this case, because the arbitrator "'dispensed his own brand of industrial justice.'" Id. at 589.] . . . . [I]n the court's view, the arbitrator's refusal to credit Smith's letter was "inexplicable" and "border[ed] on the irrational" . .. Id. at 590. . . . . The Court of Appeals reversed and remanded with directions to vacate the award.

The District Court then remanded the case to the arbitration panel for further hearings, and Garvey appealed. The Court of Appeals, again by a divided vote, explained that Garvey I established that "the conclusion that Smith made Garvey an offer and subsequently withdrew it because of the collusion scheme was the only conclusion that the arbitrator could draw from the record in the proceedings." Garvey II (unpublished). . . . . The Court of Appeals reversed the District Court and directed that it remand the case to the arbitration panel with instructions to enter an award for Garvey in the amount he claimed.

* * *

Judicial review of a labor-arbitration decision pursuant to such an agreement is very limited. Courts are not authorized to review the arbitrator's decision on the merits despite allegations that the decision rests on factual errors or misinterprets the parties' agreement. Paperworkers v. Misco, Inc., 484 U.S. 29, 36 (1987). We recently reiterated that if an "'arbitrator is even arguably construing or applying the contract and acting within the scope of his authority,' the fact that 'a court is convinced he committed serious error does not suffice to overturn his decision.'" It is only when the arbitrator strays from interpretation and application of the agreement and effectively "dispense [s] his own brand of industrial justice" that his decision may be unenforceable. When an arbitrator resolves disputes regarding the application of a contract, and no dishonesty is alleged, the arbitrator's "improvident, even silly,

factfinding" does not provide a basis for a reviewing court to refuse to enforce the award. Misco, 484 U.S. at 39.

In discussing the courts' limited role in reviewing the merits of arbitration awards, we have stated that "'courts ... have no business weighing the merits of the grievance [or] considering whether there is equity in a particular claim.'" Id. at 37. When the judiciary does so, "it usurps a function which ... is entrusted to the arbitration tribunal." Consistent with this limited role, we said in Misco that "[e]ven in the very rare instances when an arbitrator's procedural aberrations rise to the level of affirmative misconduct, as a rule the court must not foreclose further proceedings by settling the merits according to its own judgment of the appropriate result." 484 U.S. at 40-41, n. 10. That step, we explained, "would improperly substitute a judicial determination for the arbitrator's decision that the parties bargained for" in their agreement. Ibid. Instead, the court should "simply vacate the award, thus leaving open the possibility of further proceedings if they are permitted under the terms of the agreement." Ibid.

To be sure, the Court of Appeals here recited these principles, but its application of them is nothing short of baffling. The substance of the court's discussion reveals that it overturned the arbitrator's decision because it disagreed with the arbitrator's factual findings, particularly those with respect to credibility. The Court of Appeals, it appears, would have credited Smith's 1996 letter, and found the arbitrator's refusal to do so at worst "irrational" and at best "bizarre." Garvey I, 203 F.3d at 590-591. But even "serious error" on the arbitrator's part does not justify overturning his decision, where, as here, he is construing a contract and acting within the scope of his authority. Misco, supra, at 38.

In Garvey II, the court clarified that Garvey I both rejected the arbitrator's findings and went further, resolving the merits of the parties' dispute based on the court's assessment

of the record before the arbitrator. For that reason, the court found further arbitration proceedings inappropriate. But again, established law ordinarily precludes a court from resolving the merits of the parties' dispute on the basis of its own factual determinations, no matter how erroneous the arbitrator's decision. Misco, supra, at 40, n. 10. Even when the arbitrator's award may properly be vacated, the appropriate remedy is to remand the case for further arbitration proceedings. Misco, supra, at 40. The dissent suggests that the remedy described in Misco is limited to cases where the arbitrator's errors are procedural. (Opinion of STEVENS, J.). Misco did involve procedural issues, but our discussion regarding the appropriate remedy was not so limited. If a remand is appropriate even when the arbitrator's award has been set aside for "procedural aberrations" that constitute "affirmative misconduct," it follows that a remand ordinarily will be appropriate when the arbitrator simply made factual findings that the reviewing court perceives as "irrational." The Court of Appeals usurped the arbitrator's role by resolving the dispute and barring further proceedings, a result at odds with this governing law.

For the foregoing reasons, the Court of Appeals erred in reversing the order of the District Court denying the motion to vacate the arbitrator's award, and it erred further in directing that judgment be entered in Garvey's favor. The petition for a writ of certiorari is granted, the judgment of the Court of Appeals is reversed, and the case is remanded for further proceedings consistent with this opinion.

It is so ordered.

Justice GINSBURG, concurring in part and concurring in the judgment.

Justice STEVENS, dissenting.

[Separate opinions are omitted]